1999 annual report

Agrium

a strong foundation

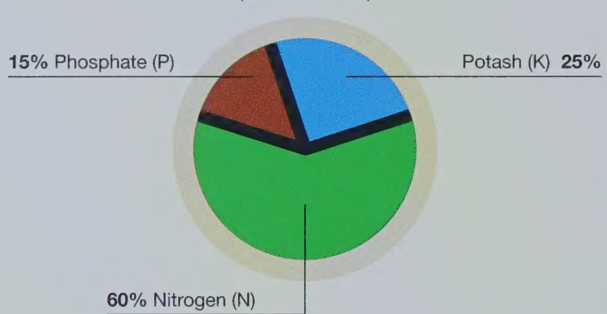
FINANCIAL HIGHLIGHTS

(US$ millions except per share data)	**1999**	1998	1997	1996
Net sales	**$ 1,716**	$ 1,805	$ 1,938	$ 1,904
Gross profit	**492**	583	692	709
EBITDA*	**229**	324	444	470
Net earnings†	**70**	121	185	211
Per common share	**0.55**	0.96	1.43	1.54
Working capital	**174**	362	330	44
Total assets	**1,959**	1,783	1,661	1,591
Long-term debt	**497**	482	483	184
Shareholders' equity	**764**	723	631	701
Capital expenditures	**253**	174	144	153

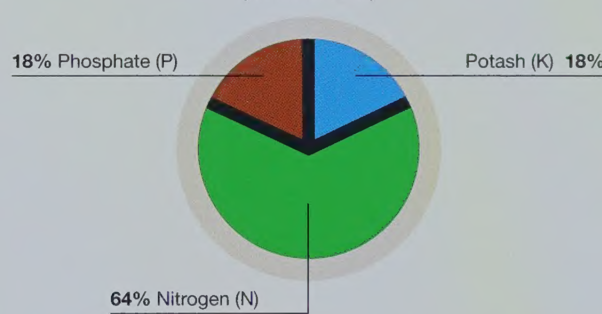
**Earnings before interest expense, income taxes, depreciation and amortization.*

† 1999 Net earnings are before restructuring charges of $6 million after taxes; 1996 Net earnings are determined before charges associated with the merger of Agrium Inc. and Viridian Inc., and costs associated with the retirement of Viridian Inc. debt.

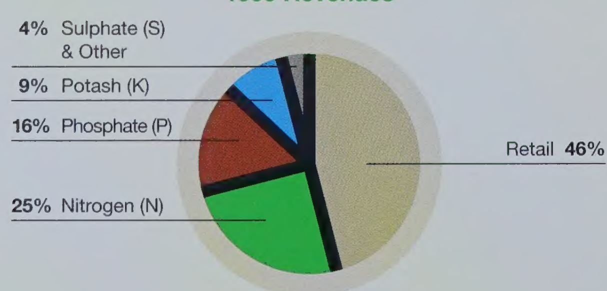
1999 Agrium Production of N, P & K
(Nutrient tonnes)



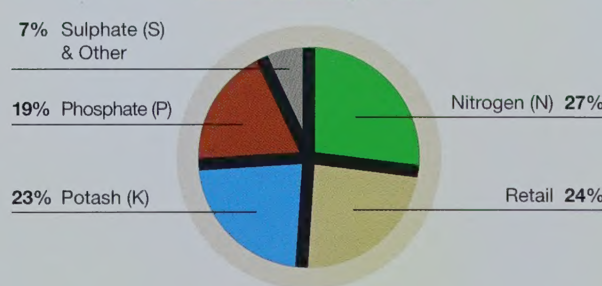
1999 World Consumption of N, P & K
(Nutrient tonnes)



1999 Revenues



1999 Operating Profit



▲ FOR EASY REFERENCE DETACH AT-A-GLANCE ALONG PERFORATION ▲

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Agrium

In this report to shareholders all amounts are stated in US$ unless otherwise indicated.

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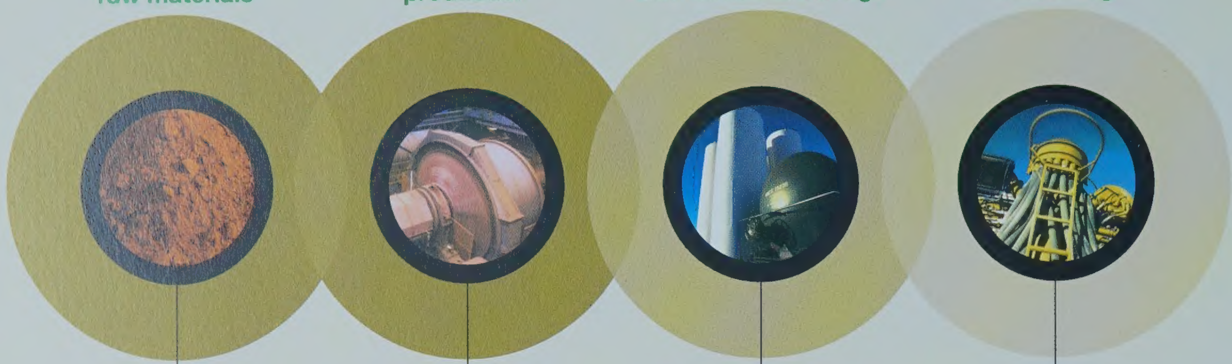
THE AGRIUM VALUE CHAIN

raw materials | **production** | **distribution & storage** | **marketing**



raw materials
- Vanscoy
- Kapuskasing
- Rasmussen Ridge

production

NORTH AMERICA
- Redwater
- Fort Saskatchewan
- Carseland
- Joffre
- Vanscoy
- Conda
- Borger
- Homestead
- Kapuskasing

SOUTH AMERICA
- Profertil

distribution & storage

NORTH AMERICA
- 2,253 rail cars
- 19 terminals
- 1 pipeline
- 84 warehouses

SOUTH AMERICA
- 1 terminal
- 3 warehouses

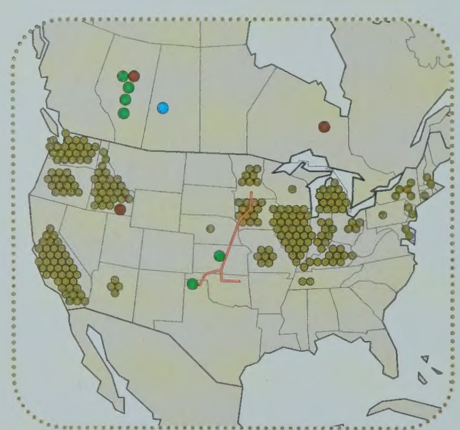
marketing

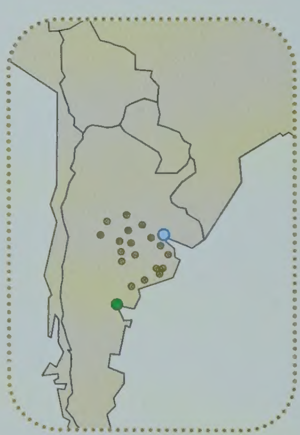
NORTH AMERICA
- Wholesale
- Retail
  – 222 farm centres

SOUTH AMERICA
- Wholesale
- Retail
  – 18 farm centres

North and South American Production & Distribution Facilities

- Anhydrous Ammonia Pipeline (Williams owned)
- Phosphate Production Facility
- Nitrogen Production Facility
- Potash Mine
- Retail Farm Centres
- Deep Water Terminal





Production Capacity by Plant

*Based on Agrium's 50% ownership

OUR VISION **is to be a top tier global company specializing in diversified agricultural products and services, in a manner that maximizes growth in shareholder value. We will achieve this vision through implementation of strategies focused on:**

INNOVATION ● By focusing research and development efforts on meeting the emerging needs of our customers, improving the competitiveness of our asset base, and by continuously improving all business activities. **INTEGRATION** ● By continuing to build upon relationships with customers and suppliers, and by being a premier integrated producer and marketer of agricultural inputs. **GROWTH** ● By implementing acquisitions, mergers, green field developments, joint ventures, alliances and expansions at existing operations that offer significant potential to add value to Agrium. **GLOBALIZATION** ● By participating in the growth of product demand outside of North America, where anticipated higher rates of population and gross domestic product growth will strengthen the demand for our products.

FINANCIAL HIGHLIGHTS

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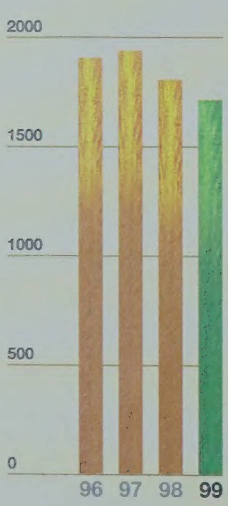
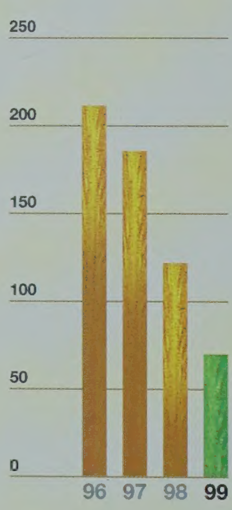
net sales

(millions of US dollars)



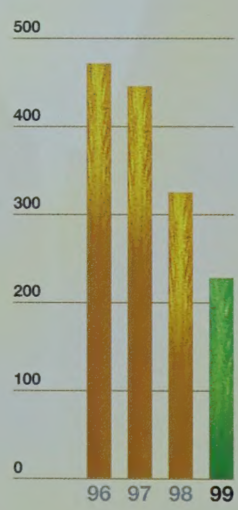
net earnings

(millions of US dollars)



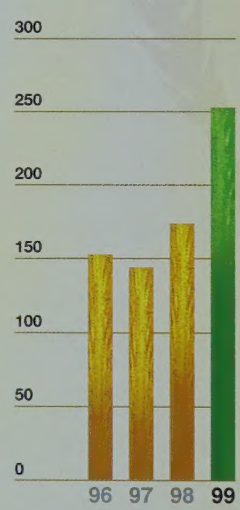
EBITDA

(millions of US dollars)



capital expenditures

(millions of US dollars)



KEY FINANCIAL RATIOS

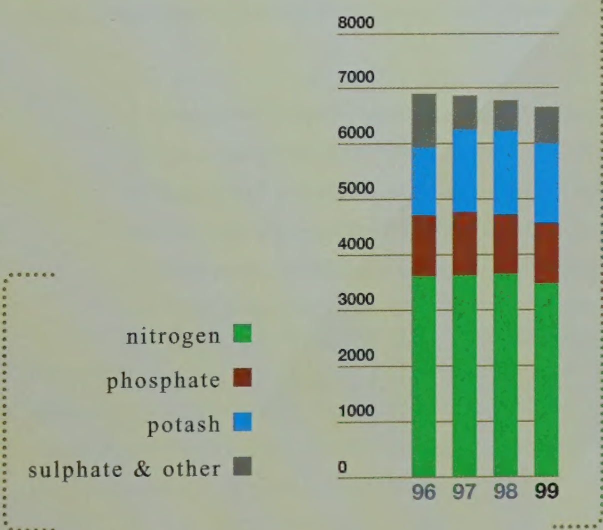
(:1 except percentages)	1999	1998	1997	1996
Current assets to current liabilities	1.37	2.06	2.10	1.08
Long-term debt to long-term debt plus shareholders' equity	0.39	0.40	0.43	0.21
Interest coverage	3.7	5.8	7.8	6.7
Return on sales	4%	7%	10%	11%
Return on average invested capital	7%	13%	18%	18%
Return on average common shareholders' equity	10%	19%	28%	28%

KEY OPERATING STATISTICS

	1999	1998	1997	1996
(thousands of tonnes)				
North American Wholesale Production Volumes				
Nitrogen	**3,553**	3,451	3,721	3,516
Phosphate	**1,016**	1,150	1,126	1,088
Potash	**1,487**	1,581	1,482	922
Sulphate	**299**	245	247	255
	6,355	6,427	6,576	5,781
(thousands of tonnes)				
North American Wholesale Sales Volumes				
Nitrogen	**3,479**	3,652	3,630	3,618
Phosphate	**1,082**	1,062	1,135	1,089
Potash	**1,432**	1,504	1,484	1,218
Sulphate & Other	**665**	561	619	975
	6,658	6,779	6,868	6,900
Gross Margin Percentage on Net Sales				
Wholesale	**26%**	34%	40%	43%
Retail	**30%**	29%	28%	28%
South America	**19%**	26%	22%	21%
Selling, General & Administrative Expense ("SG&A")				
Corporate and Wholesale – $/tonne	**$ 7.36**	$ 9.00	$ 9.76	$ 11.45
Retail – % of sales	**22%**	22%	21%	21%
South America – % of sales	**20%**	30%	42%	26%

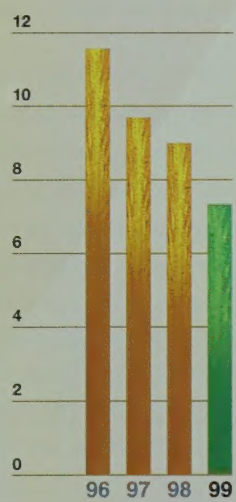
North American Wholesale Sales Volumes

(thousands of tonnes)



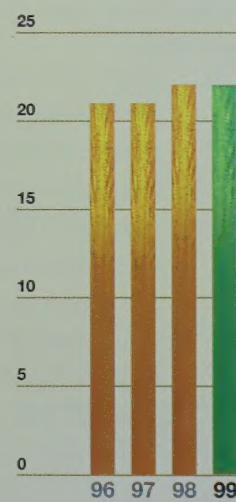
Corporate and Wholesale SG&A

($/tonne)



Retail and South America SG&A

(percentage of net sales)



NINETEEN NINETY-NINE WAS A DIFFICULT YEAR FOR THE FERTILIZER INDUSTRY. A COMBINATION OF FACTORS, INCLUDING LOW GRAIN PRICES, HIGH GAS COSTS AND INTERNATIONAL SUPPLY AND DEMAND IMBALANCES, RESULTED IN INCREASED PRESSURE ON FERTILIZER MARGINS FOR NITROGEN AND PHOSPHATES.

NITROGEN BEGAN SHOWING signs of recovery towards the end of the year but was impacted throughout 1999 by low world agricultural commodity prices, low levels of nitrogen imports by India and China's continuing absence from international urea markets. At the same time, on the supply side, the Former Soviet Union ("FSU") continued to export significant volumes of urea in order to earn much needed foreign currency and seven new world scale nitrogen production facilities came on stream worldwide, more than offsetting a number of plant closures.

Phosphate prices came under pressure in anticipation of new global production in Australia and India and because of weaker demand in North America as farmers continued to face difficult economic conditions. North American potash demand also declined for the same reasons however, prices remained in line with previous years due in part to stable international demand.

Agrium's 1999 results reflect these difficult conditions. Net sales, operating income and net earnings for North American Wholesale business ("Wholesale") segments declined from prior year's results. Our US Retail business ("Retail") was also subject to many of these same conditions but was able to mitigate the impact and generate record earnings by focusing on customer service and the strategic acquisition of additional farm centres. Despite these difficult conditions we are proud that we were still able to generate positive earnings and cash flow of $70 million and $138 million respectively during the year, before restructuring charges.

Although nitrogen prices were disappointing most of the year, prices did improve late in the year and into the first part of 2000. US Gulf urea prices have increased over $45 per tonne or 60% between late September and the end of February 2000. Other nitrogen prices, while not as dramatic as urea, have increased by up to 15%. Strong demand from Europe, Latin America and various Southeast Asian countries other than China coupled with deliberate and involuntary production curtailments and transportation constraints have helped support world prices and have put the supply situation under pressure. As a result of the recent price increases however, most of the temporary production curtailments have been lifted.

We believe we have passed the bottom of the cycle and are entering the early stages of recovery. In spite of the difficult environment, the down-cycle provided an opportunity to build for the future with our ability to generate positive results allowing us to position ourselves for the improving cycle. Looking forward, we have set ourselves an ambitious goal of reaching a $50 share price within 5 years. Achieving this goal will depend, in part, not only on recovery of prices but also on the success of current and future strategic initiatives. These include the following initiatives carried out in 1999:

> We have consistently been one of the lowest cost producers in the industry. In order to ensure our selling, general and administrative expense ("SG&A") structure was also one of the lowest, we undertook a major review of our business processes and Corporate structure during the year. The majority of the recommendations arising out of this review have already been implemented and future annual savings targets in excess of $20 million over 1998 levels will be met or exceeded. We also believe the resulting changes in our business processes have improved our organizational effectiveness and will make us one of the easiest companies with which to do business. The impact of these savings on 1999 results was reduced by one-time charges of $11 million before tax for severance and other costs associated with the restructuring.

Frank W. Proto
Chairman of the Board of Directors

John M. Van Brunt
President and Chief Executive Officer

The success of this review has also led to similar reviews being carried out in areas which were out of the scope of the original project including supply chain optimization, Retail selling expenses and productivity improvement reviews at Redwater and other facilities. We expect these new initiatives to result in further annualized cost savings in excess of $15 million by the end of the year 2000.

Our new phosphate rock mine and mill in Kapuskasing, Ontario was commissioned on schedule in July but is currently encountering start-up mechanical and process problems which are restricting output. However, resolution is expected by the end of the second quarter of 2000. The cost of the original project was $70 million. When producing at full design capacity, Kapuskasing is expected to produce sufficient phosphate rock to supply all of the requirements of the Redwater Phosphate Operations for the next 20 years at annualized cash savings of more than $33 million over alternative sources of supply.

In late 1998, we were able to increase our interest in the Profertil joint venture in Argentina from 33% to 50%, as originally contemplated. The construction of the plant is proceeding well and start-up is anticipated to be on schedule for mid-year 2000. When completed, the plant will be the largest single train urea plant in the world capable of producing 1.1 million tonnes of urea annually. The estimated total cost of the plant is $600 million, including interest during construction and value-added tax, with the bulk of these costs being incurred under a lump-sum turnkey contract.

In the Fall, we announced an agreement to lease and operate an industrial grade purified phosphoric acid ("PPA") unit to be built by FMC Corporation ("FMC") at our Conda Phosphate facility in Idaho and to enter into a long-term supply contract with it for the sale of the output. Agrium's own investment to incorporate this unit into our existing facilities is expected to be approximately $30 million over the next two years. The project is expected to come on stream in mid-year 2001 and will open up a new industrial market for Conda which will complement the traditional agricultural markets served by the facility.

On January 19, 2000, we announced we had signed an agreement with Union Oil Company of California ("Unocal") to acquire the nitrogen-based production and distribution businesses operated by Unocal in Alaska, Washington, Oregon and California. This is a very exciting development for us which will expand our nitrogen businesses in the Western United States and internationally and provide significant synergies in our operating and administrative structure. Subject to regulatory approval, we expect the transaction to close before the end of the second quarter.

We recognize our employees are key to achieving our goal and we remain committed to building on their core competencies and to developing a high performance culture within the organization. At the same time, we believe it is important for employees to think and act like owners. As a result, our incentive programs have been designed to accommodate participation in Agrium's future prosperity, including such initiatives as Stock Appreciation Rights ("SARs") and the Retail 401(k) Profit Sharing Plan.

Looking forward into 2000, the nitrogen and phosphate markets are expected to remain challenging however, there have already been a number of encouraging developments which could act as catalysts for further recovery:

A number of North American nitrogen facilities were indefinitely shut-down or had extended turn-arounds in the mid to latter half of 1999 which helped lead to strengthening in nitrogen prices in the fourth quarter of 1999 and early 2000. Our own Redwater 1 Ammonia Plant and our Homestead Ammonium Nitrate Plant were both temporarily shut-down for market related reasons in the latter half of 1999 with Redwater 1 remaining shut-down through year-end. Four permanent US nitrogen plant closures by other companies were also confirmed and other temporary plant closures worldwide included Trinidad and Mexico. The shut-downs and closures were the result of low nitrogen prices coupled with high natural gas prices which increased producers' costs. However, with the recent strengthening in prices and some softness in gas prices, some of these plants have since been restarted.

The US Government has set preliminary anti-dumping duties of 264% on Russian ammonium nitrate imports. Imposition of this duty would allow for a more even playing field for North American nitrate producers and should help provide some price support in North American markets where Agrium accounts for 6% of total North American capacity.

China recently reached an agreement with the US and most other World Trade Organization ("WTO") members on terms for entry into the WTO and, as a result, it is anticipated that China will become a member of the WTO some time in 2000. While all of the conditions are not yet known, this is a positive development for the fertilizer industry and particularly for the nitrogen and phosphate sectors. Ultimately, entry into the WTO will put pressure on the Chinese to close some older, higher cost nitrogen facilities and open their market to urea exporters.

Despite the continued absence of China from world urea markets and limited buying from India, there was still an increase of approximately two million tonnes in world urea trade in 1999 and growth in non-Chinese and non-Indian imports has now made up for the drop in imports which occurred in 1997. There is also general consensus that global economic growth will be robust over the next few years which should further fuel the demand for agricultural products.

Global grain consumption is expected to exceed production in the 1999/2000 crop year and the US Department of Agriculture has projected a decline in the world grain stocks-to-use ratio to 18% compared to the 20 year average of 21%.

Barring any unforeseen circumstances, we expect recovery to continue slowly over the next one to two years as fertilizer consumption absorbs the excess supply and to accelerate thereafter.

Our share price continues to be undervalued. While we have performed well against our peers in the fertilizer industry, the industry has not performed well against the major Toronto and New York indices due to the short-term supply/demand fundamentals. Nonetheless, the current low stock price has been an excellent opportunity to capitalize on share buy-backs. Since initiating the first of these programs in late 1996, Agrium has reduced the number of outstanding shares from 141 million to under 112 million at the present time. However, further share repurchases under the normal course issuer bid announced in September 1999 have been temporarily discontinued following the announcement of our agreement to acquire Unocal's fertilizer business.

In closing, we would like to take this opportunity to express our appreciation to all employees for their perseverance through these difficult times. We also extend special thanks and best wishes to long serving members of the executive management team: Larry Collins, Dave DeBiasio and Gordon Whitham, who retired during 1999.

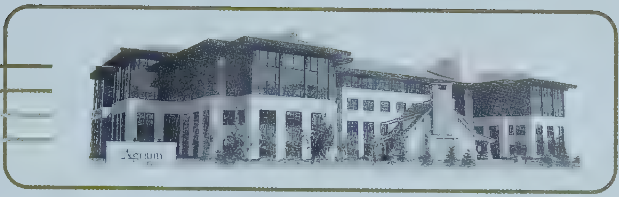
Frank W. Proto

Frank W. Proto
Chairman of the Board of Directors

March 6, 2000

John M. Van Brunt
President and Chief Executive Officer

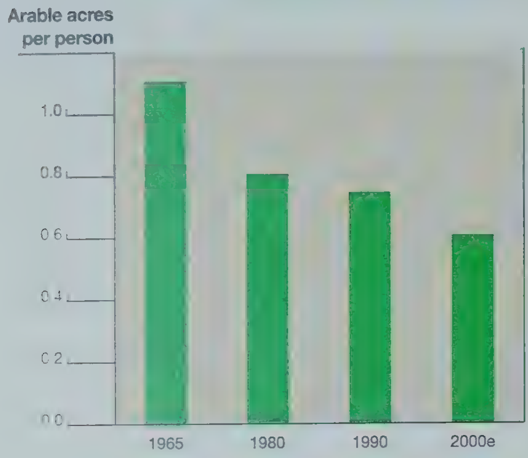
March 6, 2000



In late 1998, the new Calgary Corporate Head Office building was completed. The cost of the new building was significantly less than comparable facilities and consolidating staff into this facility was a catalyst for some of the SG&A cost savings.

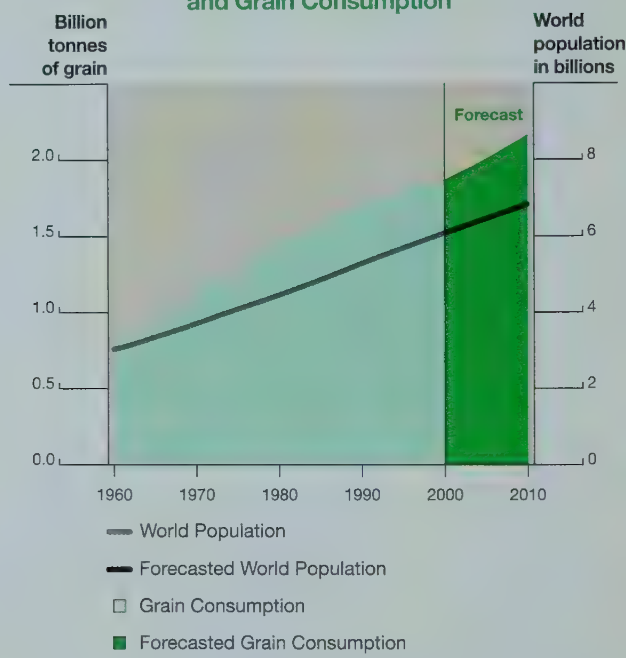
Population and grain consumption continue to grow while the amount of arable land remains constant. World grain stocks remain low despite comparatively higher US grain stocks.

Population Growing and Arable Land Remains Fixed



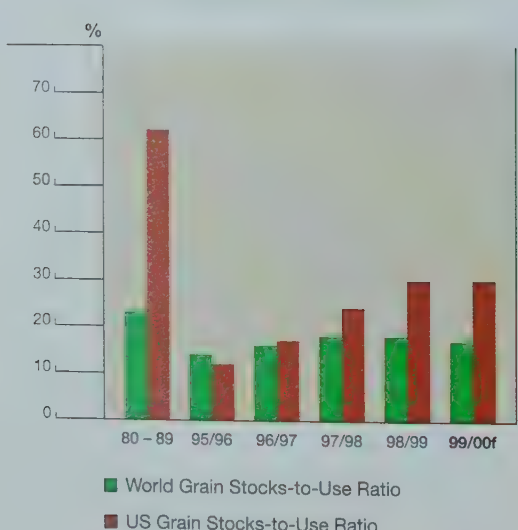
Source: FAO, US Government

Rapid Growth in World Population and Grain Consumption



Source: USDA, US Bureau of Census, FAPRI

Grain Stocks-to-Use Ratio



Source: USDA

GLOBAL SUPPLY AND DEMAND

In the long-term, growth and profitability in the fertilizer industry are driven by world population growth and rising living standards which create an increasing demand for food. As the availability of arable land for production of food is largely fixed, it is imperative that crop yields are increased through optimal application of fertilizers and other agricultural inputs in order to meet this increasing demand.

World population reached six billion people in 1999 and is currently increasing exponentially at a rate of approximately 212,000 people every day. Current projections are that the world population will continue this rate of growth and will virtually double to 11.6 billion before beginning to stabilize well into the 21st century. This growth will result in continued increases in the demand for food while further urbanization will also place additional pressure on the amount of arable land available for agricultural production, which has already declined from 1.1 acres per capita in 1965 to 0.6 acres forecast for 2000.

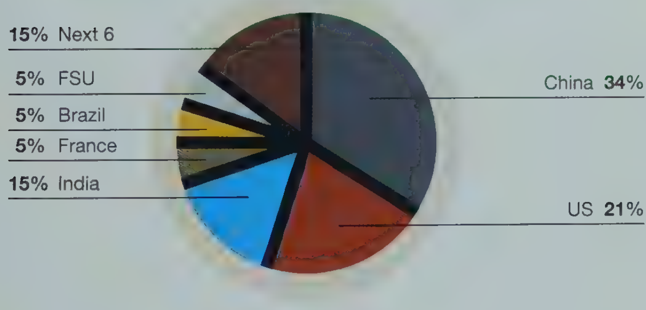
Rising standards of living lead to an increase in both the quantity of food consumed per capita and the protein content of food consumed. Production of these higher protein foods such as meat require larger amounts of grain and other feeds. This, in turn, creates a need for improved yields through higher application of agricultural inputs.

In the short- and medium-term, growth and profitability in the fertilizer industry are more influenced by world economic growth rates and factors creating temporary imbalances in supply and demand. These factors include weather patterns, the level of world grain stocks relative to consumption (the "stocks-to-use ratio"), new production capacity, and temporary disruptions in fertilizer trade such as changes in the buying patterns of China or India.

Prior to withdrawing from international urea markets, China was by far the largest importer of urea importing in excess of six million tonnes in 1995 and 1996. The current imbalance in supply and demand was largely precipitated by China's 1997 political decision to impose a ban on imports of urea in order to protect many of its older, less efficient plants, coupled with the reluctance of major exporters such as the FSU to restrict supply. The imbalance has been compounded with the addition of seven new plants worldwide in 1999 and with a further five scheduled for 2000.

There has been some improvement in the world supply and demand balance for nitrogen fertilizers in the latter half of 1999 with the closure of a number of older, less efficient plants in the United States, the European Union and elsewhere. Despite the continued absence of China from world urea markets, and limited buying from India, there was an increase of two million tonnes in world urea trade in 1999. China has also recently reached an agreement with the US on terms for entry into the WTO which will lead them to becoming a member. This may hasten China's return to the import market, for at least some limited tonnage of urea in the near future.

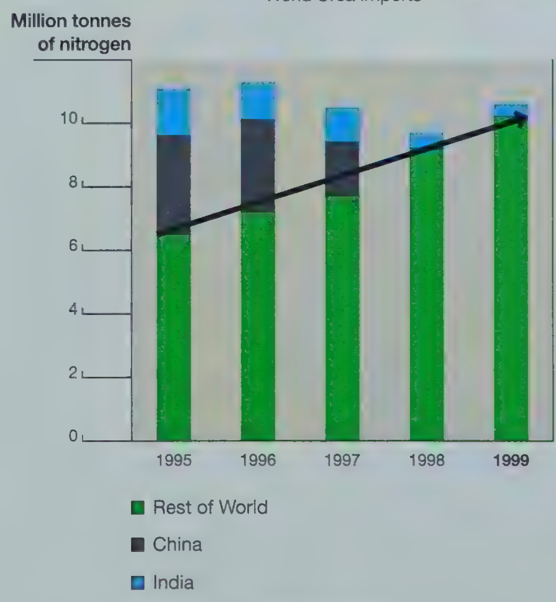
1996 Top 12 Fertilizer Consumers by Country



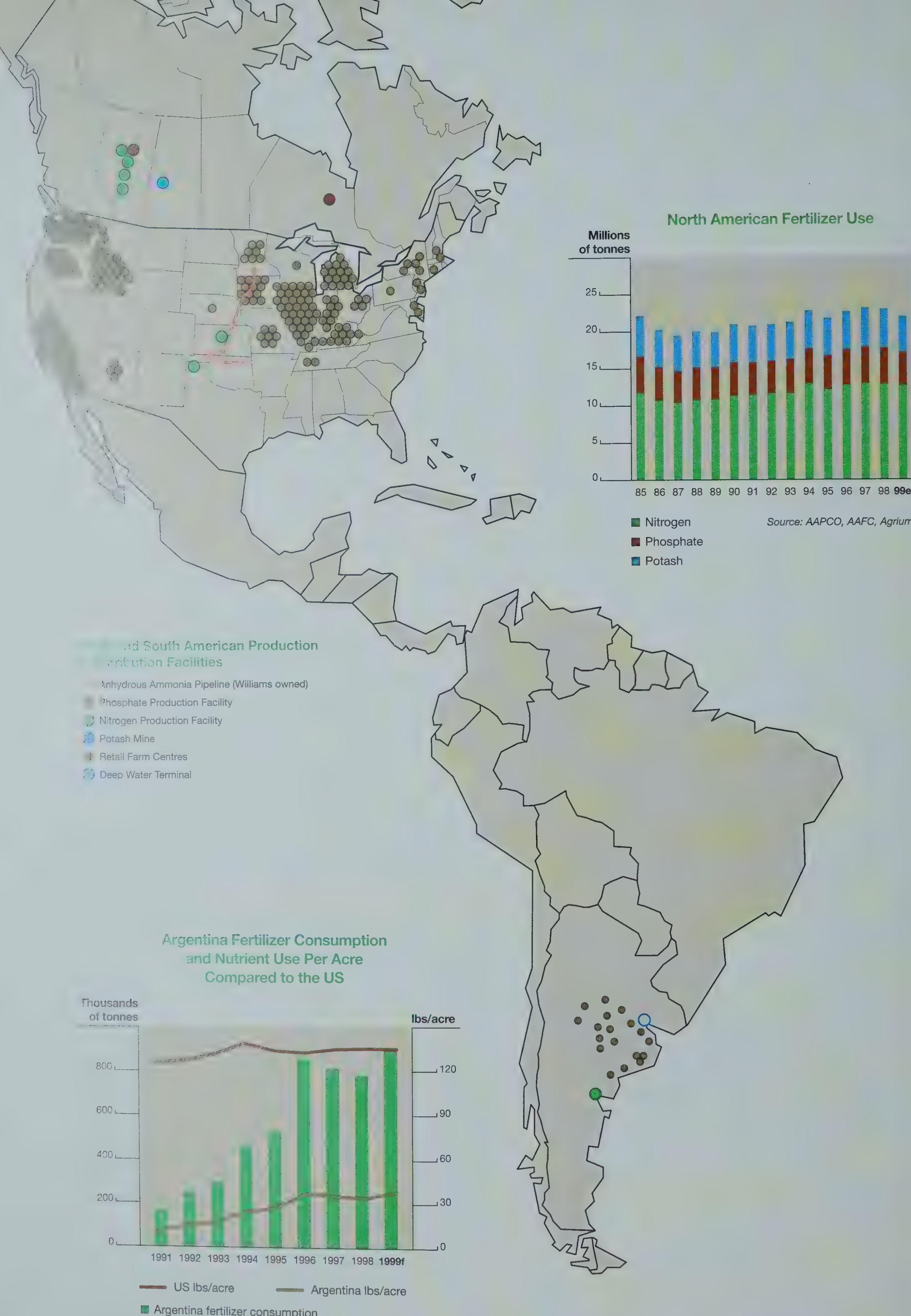
Source: IFA

Strong Growth in the Rest of the World

World Urea Imports



Source: IFA and Fertecon forecasts



North American Fertilizer Use

Source: AAPCO, AAFC, Agrium

Argentina Fertilizer Consumption and Nutrient Use Per Acre Compared to the US

Source: FAO, Fertecon, USDA, IFA, IFDC

NORTH AMERICAN MARKET STRATEGY

The fertilizer industry in North America is relatively mature, particularly in the United States, and as a result, demand for nitrogen, phosphate and potash fertilizers has remained relatively stable in recent years. However, short-term imbalances between supply and demand have occurred due to such factors as changes in crop prices, unseasonable weather patterns and, in some cases, unanticipated closures of production facilities. Nitrogen requirements are satisfied through domestic production and supplemented with imports, primarily through the US Gulf Coast and Florida. Virtually all North American phosphate and potash requirements are satisfied through domestic production and approximately 40% of potash production and 60% of phosphate production is exported.

Pricing of fertilizers in North America is driven by global fundamentals. North American nitrogen prices tend to be based on US Gulf coast import prices plus a transport differential to the various agricultural markets. Phosphate prices are largely based on Central Florida export prices plus a transport differential. Most Canadian potash exports are marketed through Canpotex Limited, a consortium of Saskatchewan producers, and prices are based on world markets.

Agrium produced approximately 6.5 million tonnes of fertilizers in 1999. Approximately 87% of this production is sold to a mix of agricultural and industrial customers in Canada and the United States. The remaining 13% is sold off-shore. Agrium's key markets in North America have historically remained partially protected due to proximity to Agrium's major production facilities and the transportation infrastructure which Agrium has established to service these areas.

Agrium's US Retail operations, which operate independently from Wholesale, deal directly with farmers in the Western, Midwestern and Northeastern regions of the United States providing valuable insight into developments in the agricultural sector. The Retail business protects its markets by carefully cultivating customer loyalty through reliable delivery, competitive pricing and customer service.

SOUTH AMERICAN MARKET STRATEGY

The Southern Cone area of South America, and Argentina in particular, provides an attractive growth alternative to the mature markets in North America. The Argentine climate is similar to the US Cornbelt and Southern Plains in terms of temperature, rainfall and the number of growing days. There are also many similarities with respect to crop mix and farm size. The Argentine Pampas were once rich in organic matter however, decades of agricultural production have mined these soils to the point that balanced fertilization is now urgently needed to ensure optimal crop yields. Currently, fertilizer application rates are approximately 25% of the US average. Consequently, corn, wheat and soybean yields in Argentina are well below typical US yields.

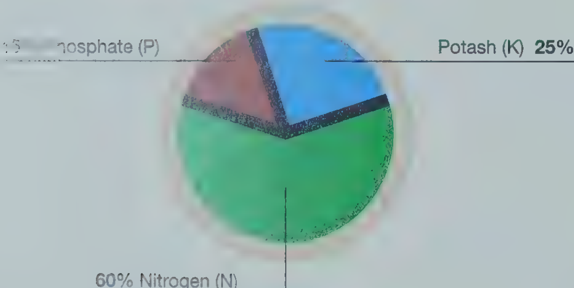
The key to ensuring successful use of fertilizers in the area is to provide farmers with sufficient agronomic education to understand the benefits of soil testing, balanced fertilization and sound agricultural practices. Agricultural retailers, such as Agrium's subsidiary, Agroservicios Pampeanos ("ASP"), are the most important mechanism for providing this education through the transfer of core competencies from Retail's North American style farm centres. However, these farm centres are relatively new to Argentina and the process of educating the farmers is a gradual one.

Argentina currently has only one small nitrogen plant and demand for fertilizers is primarily satisfied through imports. Profertil S.A. is a joint venture partnership between Agrium and YPF S.A. (a subsidiary of Repsol S.A.) ("YPF"). The Profertil nitrogen plant, currently under construction and scheduled to commence production by mid-year 2000, is capable of satisfying Argentina's entire current and future requirements. The plant, with an annual production capacity of 1.1 million tonnes of urea and 70,000 tonnes of ammonia for sale, is strategically located on tidewater for export capability and close to abundant sources of low cost natural gas that will be supplied under a long-term gas contract. Low transportation costs to nearby growing markets such as Uruguay, Paraguay and Brazil also provide a competitive advantage.

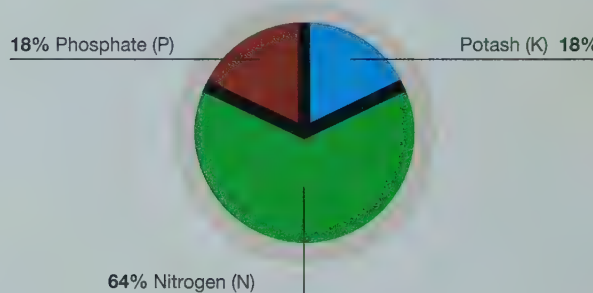
In the Pacific Rim, Agrium has been a major supplier of urea to the Australian market over the last ten years and has also made sales to New Zealand. The focus in these countries has been on providing a premium, granular product suited to bulk blending. Export sales from the Profertil plant, initially surplus to Argentinian requirements, will be targeted to these countries, to other South American countries, and possibly to Southern Africa.

At Agrium's Vanscoy potash mine, a Heli Miner creates opening cuts and bore development for mining potash ore.

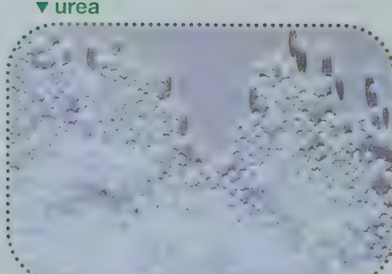
1999 Agrium Production of N, P & K
(Nutrient tonnes)



1999 World Consumption of N, P & K
(Nutrient tonnes)

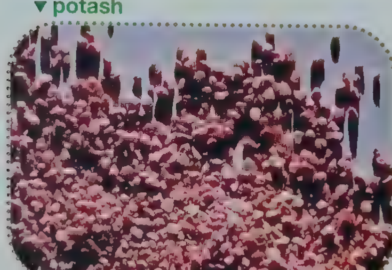


▾ urea

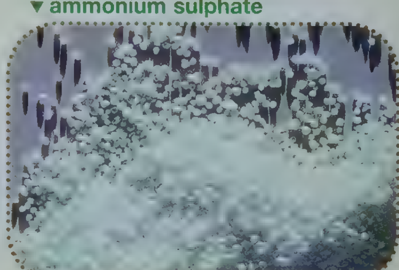


▾ phosphate

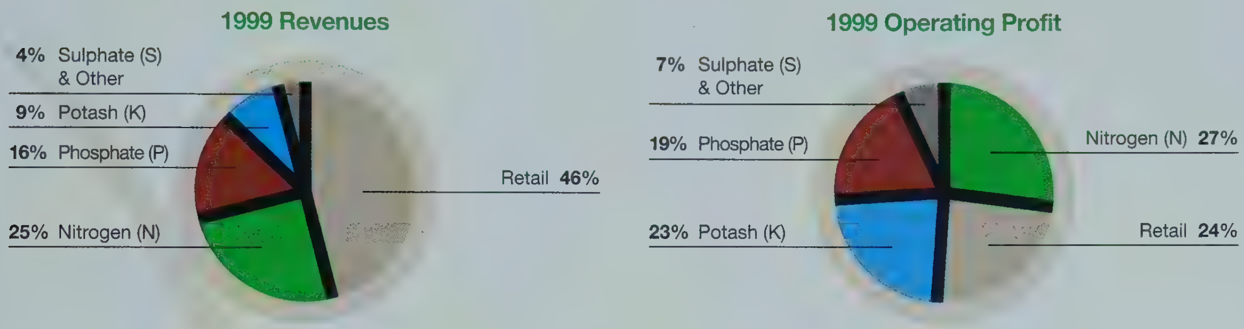
▾ potash



▾ ammonium sulphate



strategic product mix



ALL LIVING THINGS require a balance among the four major nutrient groups ("macronutrients") to stay healthy, grow and reproduce. These nutrients are commonly referred to as nitrogen, phosphate, potassium ("potash") and sulphur. Nitrogen promotes protein formation in plants and crops and is a major component of chlorophyll which helps to promote green, healthy growth and high yields. Phosphates stimulate root development, promote flowering and help prevent disease and environmental stress. They also stimulate growth and produce uniform crop yields. Potash regulates many different functions and is required in large quantities for healthy crop growth and development. Sulphur is a building block for proteins, enzymes and vitamins and a key ingredient in the formation of chlorophyll, and helps to improve effective use of other nutrients. Sulphur is often provided in the form of ammonium sulphate, a combined nitrogen/sulphur product.

In addition to macronutrients, plants and crops also require lesser quantities of other nutrients to flourish. These nutrients include boron, calcium, copper, iron, manganese, magnesium and zinc and are commonly referred to as micronutrients.

Agrium is one of North America's largest and most diversified producers and marketers of nitrogen, phosphate, potash and sulphate fertilizers. In 1999, Agrium's Wholesale operations produced approximately 14% of North America's ammonia, 20% of its urea, 5% of its phosphates and 11% of its potash.

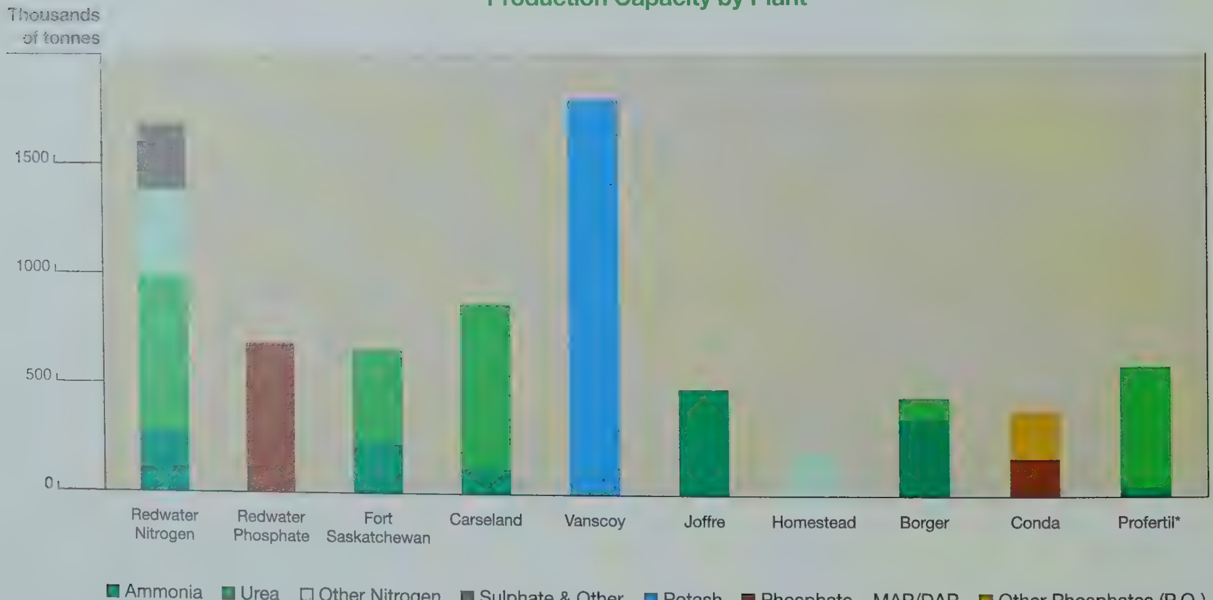
Although weighted towards the production of nitrogen fertilizers, the strategic balance of Agrium's production closely parallels consumption patterns in North America and the rest of the world. In Latin America, where the Profertil facility is currently under construction, the percentage of nitrogen consumption relative to overall consumption of fertilizers is somewhat less at 42%. With an increase in North American style retailers and agronomic information and technology, use of nitrogen fertilizers is expected to move more into line with North American and world consumption patterns.

In addition to the basic macronutrients, Agrium is also a producer and marketer of micronutrients and a developer of controlled-release urea which has both environmental and agronomic benefits. There is expected to be significant growth in demand for controlled-release urea as technological developments lead to lower cost production.

The diversity and balance of Agrium's operations and products also extends to its retail operations, both in the US and Argentina, where Agrium is a major supplier of products such as seed, chemicals and agronomic services in addition to fertilizers. Retail is an important link in the fertilizer value chain and helps to bring diversity and stability to Agrium in addition to providing Agrium with a platform for new product ideas and development. The Retail agribusiness produces consistent year-over-year revenue and operating profit which provides Agrium a solid base for the more cyclical production and Wholesale operations. In low points of the commodity cycle, as in 1999, Retail's contribution to earnings is significant.

Major projects in 1999 included the commissioning of the Kapuskasing phosphate rock mine and mill (below) and construction of the Profertil nitrogen facility (left).

Production Capacity by Plant



*Based on Agrium's 50% ownership

AGRIUM CURRENTLY OWNS and operates nine major fertilizer plants within North America, six in Canada and three in the United States, with a total annual production capacity of more than seven million tonnes of fertilizer. In addition, Agrium owns major phosphate rock mining and milling operations in Kapuskasing, Ontario and Conda, Idaho, and several minor facilities producing micronutrients and blends in both the US and Canada. Internationally, Agrium's share of production from the Profertil nitrogen plant currently under construction in Argentina will exceed an additional half a million tonnes when the plant comes on stream in mid-year 2000.

On January 19, 2000, Agrium announced the signing of an agreement with Unocal to acquire the nitrogen-based production and distribution businesses operated by Unocal in Alaska, Washington, Oregon and California. The addition of Unocal's production facilities will make Agrium one of the largest nitrogen producers in the world. Unocal's facilities include two world scale ammonia and two world scale urea plants in Kenai, Alaska and ammonia, ammonium nitrate and nitrogen solution plants in Washington and California. The Kenai facility has total capacity of one million tonnes of urea and 590,000 net tonnes of ammonia.

PLANT EFFICIENCY

Agrium's plants are among the most modern and efficient in North America, due in part to the relative age of the facilities and recent modernization initiatives. Agrium has also adopted a systematic policy of preventative maintenance and careful monitoring which enables its major facilities to achieve extended production runs without the necessity for scheduled plant turnarounds each year. This strategy allows plant turnarounds to be staged at different times throughout the year so that specialized teams of maintenance personnel can be deployed from plant to plant to minimize contracted personnel and increase efficiency.

In 1999, there were no unscheduled production outages and monthly production records were achieved at Fort Saskatchewan, Joffre, Borger and Conda. Production overall, however, was lower than the previous year due to decisions to temporarily shut down Homestead and the smaller Redwater 1 ammonia facility for market-related reasons and because of an extended turnaround at Vanscoy Potash Operations for scheduled repairs and inventory control.

NEW PRODUCTION FACILITIES

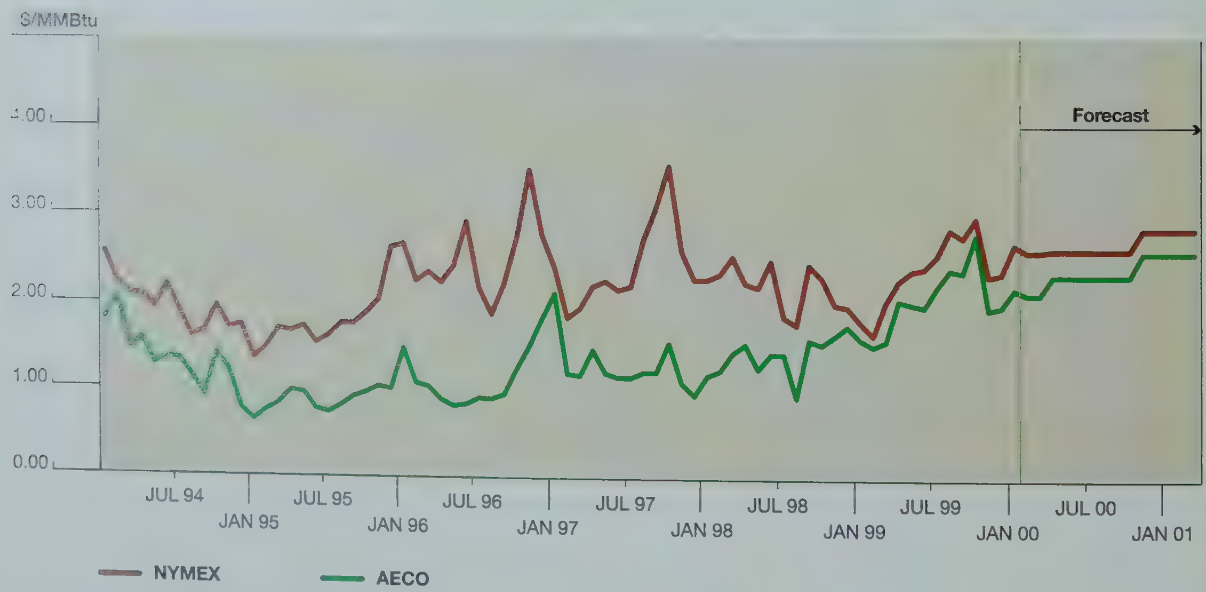
Agrium's new phosphate rock mine and mill in Kapuskasing, Ontario was commissioned on schedule in July 1999, but start-up mechanical and process problems have delayed the achievement of full production rates. These problems are expected to be resolved by the end of the second quarter of 2000. The cost of the original project was $70 million. When producing at full design capacity, the plant is expected to produce and process sufficient phosphate rock to supply all of the requirements of the Redwater Phosphate Operations for the next 20 years. Once in full production, the plant is expected to achieve annual cash savings of more than $33 million over existing sources of supply.

The construction of the Profertil plant in Argentina is proceeding well and start-up is still anticipated to be on schedule for mid-year 2000. When completed, the plant will be the largest single train urea plant in the world capable of producing 1.1 million tonnes of urea annually. The estimated total cost of the plant is $600 million, including interest during construction and value-added tax, with the bulk of these costs being incurred under a lump-sum turnkey contract.

In the Fall, Agrium announced an agreement to lease and operate an industrial grade PPA unit to be built by FMC at Agrium's Conda Phosphate facility in Idaho and to enter into a long-term supply contract with FMC for the sale of the output. Agrium's own investment to tie in this unit to its existing facilities is expected to be approximately $30 million over the next two years. The project is expected to come on stream in mid-year 2001 and will open up a new industrial market for Conda which will complement the traditional agricultural markets served by the facility.

Agrium's low production cost position in North America is the result of its access to low cost natural gas and its modern efficient plants.

Price Spread between Alberta and NYMEX



Source: Bloomberg and Forecast CIBC World Markets (February 2000)

RAW MATERIALS

Ammonia is the building block for all nitrogen fertilizers and the standard production process involves the conversion of natural gas and air into a mixture of hydrogen, carbon dioxide and nitrogen. After removal of the carbon dioxide, the mixture of hydrogen and nitrogen is passed over a catalyst at high temperatures to produce ammonia. Ammonia can then be sold directly or upgraded by reacting it with the carbon dioxide to produce urea.

The key raw material used in the production of nitrogen fertilizers is natural gas and the proximity to abundant supplies of low cost Alberta natural gas is a competitive advantage for Agrium. Natural gas accounts for approximately 70% of the cost of producing ammonia. Gas prices in Alberta have historically remained well below other markets in North America. However, recent completion of additional pipeline capacity from Alberta to the US, including the Alliance pipeline system scheduled to start-up in late 2000, has resulted in gas price differentials narrowing substantially. The differential is expected to widen again in the medium-term as the pipeline capacity fills up and in the long-term it is expected to be at least equal to the cost of transportation to US markets ($0.60 to $0.80 per MMBtu).

Gas requirements for the Profertil plant in Argentina are contracted at a favourable fixed price contract plus a variable component linked to international market indicators. The primary gas contract is with YPF for a period of 12 years subject to various renewal options.

Phosphate fertilizers are produced from phosphate rock reserves which are mined and processed into feedstock for the phosphate fertilizer operations. The resulting feedstock is then treated with sulphuric acid to form gypsum and phosphoric acid which is the base for all phosphate fertilizers. The primary feedstock for this process at Agrium's Conda Phosphate Operation is supplied to the facility from Agrium's Rasmussen Ridge mine in Idaho and at the Redwater facility from the Kapuskasing mine and mill in Ontario. The estimated reserve life of the Rasmussen Ridge and Kapuskasing mines is 11 and 20 years respectively and will ensure Agrium has a secure supply of low cost phosphate rock well into the 21st Century. The Kapuskasing mine is a much more cost effective means of supplying Redwater than the previous source, Togo, in West Africa.

Potassium (potash) fertilizers occur naturally in the form of mineral deposits deep underground and are mined and crushed before removing unwanted minerals using a de-sliming and froth flotation process. Agrium's reserves are located near Saskatoon, Saskatchewan and are estimated to last in excess of 100 years based on current depletion rates. In addition, Agrium has identified a number of potential expansion projects which would substantially increase production capacity should demand increase.

Sulphur is used extensively in the production of ammonium sulphate fertilizers and in the manufacture of sulphuric acid which is used extensively in the production of phosphate fertilizers. The current surplus of sulphur in Alberta is expected to last indefinitely due to ongoing production of sour gas in the province. This surplus will ensure that the cost of sulphur used in Agrium's various production processes remains low for some time to come.

LOW COST PRODUCTION

A combination of a stable committed work force, secure access to low cost raw material inputs, modern efficient plants and ongoing process and maintenance optimization has enabled Agrium to remain amongst the lowest cost producers in the North American industry. This low cost position provides Agrium the ability to generate significant earnings and cash flow during low periods of the commodity price cycle.

Agrium's significant investment in distribution and storage infrastructure allows it to better serve its customers during the Spring and Fall application seasons.

American Production & Distribution Facilities

AGRIUM HAS DEVELOPED a sustainable competitive advantage in its distribution and storage network due to superior quality terminal facilities, geographic diversity and a multi-modal distribution system. By servicing customers and internal warehouses by rail, pipeline, truck and barge, Agrium is able to minimize transportation costs and enhance its position as a low cost supplier.

Underlying the Wholesale business is the need to transport approximately 6.5 million tonnes of fertilizer sales to Agrium warehouses or directly to customers and three million tonnes of raw materials to manufacturing facilities each year. Rationalization and optimization of transportation and distribution systems and the elimination of duplicate facilities has been one of the major success stories following the 1996 merger with Viridian Inc. and has significantly reduced Agrium's total annual distribution costs both directly and indirectly.

RAIL TRANSPORTATION

Of the 6.5 million tonnes of fertilizer sales shipped annually by Agrium, the majority is shipped by rail and requires more than 50,000 individual rail car loads. Agrium's rail fleet, which is partially owned and partially leased, consists of 1,300 tank cars for the transportation of liquid fertilizers and 953 covered hopper cars for dry fertilizers. During the peak shipping seasons in early Spring and Fall, this fleet is supplemented with an additional 2,500 rail cars supplied by rail companies.

PIPELINE TRANSPORTATION

Although rail is generally the most efficient means of transportation for dry fertilizers, pipelines are the lowest cost mode of transportation for ammonia. Agrium utilizes the Williams Ammonia Pipeline system for the transportation of ammonia from its Borger, Texas facility to its plant in Homestead, Nebraska where it is used in the production of ammonium nitrate fertilizers or shipped directly to the Midwest US markets. Other ammonia pipeline opportunities are also being explored in transportation corridors where Agrium transports large quantities of anhydrous ammonia.

TRUCKS AND BARGES

The remainder of Agrium's North American transportation requirements are met through an extensive network of independently owned trucks and through utilization of barges and lake vessels where efficient waterway systems exist, primarily in the Great Lakes and West Coast regions.

STORAGE

In order to ensure product is readily available when customers need it, Agrium has strategically located a network of storage facilities in its prime market areas in Central and Western Canada and in the Western and Central United States. These facilities include two dry storage terminals, 11 ammonia terminals, three liquid fertilizer locations and three major terminals with storage capacity for liquids, solutions and dry product. In addition to these terminals, Agrium also leases approximately 84 facilities throughout Canada and the US. The total storage capacity including terminals, leased warehouses and on-site storage is 1.6 million tonnes.

Retail provides a complete product offering to growers, including fertilizer chemicals, seeds and application and agronomic services.

NORTH AMERICA

Agrium's US Retail operations provide an outlet for Agrium's Wholesale operations but also operate independently, covering geographically diverse markets with distinct agricultural economies. In the Pacific Northwest and California, operations are conducted under the name Western Farm Service ("WFS") and throughout the Northeast and Midwest US under the name Crop Production Services ("CPS"). The California market, which accounts for nearly half of Agrium's Retail sales, is a diverse agricultural economy with emphasis on high-value crops including vegetables, fruits, nuts, grapes and cotton. In the Pacific Northwest, major crops are potatoes and wheat. In the Northeast and Midwest US, the primary crops are corn and soybeans. This diversification reduces Retail's exposure to price fluctuations in any one crop or to adverse weather conditions in any specific region.

Retail strives to create collaborative relationships with growers through value-added professional services and a commitment to the grower's success. To better serve the customer, Agrium's Retail operations provide a complete product offering of fertilizers, chemicals, seeds and application and agronomic services. An important aspect of this is Retail's commitment to technological advancements in agriculture and, specifically, to precision agriculture and pest prediction software. Retail also monitors new technology facing North American agriculture such as genetically enhanced seeds which reduce the need for certain chemicals and produce enhanced crop outputs. There has been significant growth in the use of these seeds over the past five years. Up to now the commercial focus has been on minimizing chemical usage however, the long-term focus will be directed towards producing desirable crop characteristics.

Since the adoption of the Freedom to Farm Act in 1996, the number of planted acres in the US has been fairly consistent. Prior to this Act, the US Government pursued a policy of deliberately taking agricultural land out of production under the Acreage Reduction Program ("ARP") when there were high crop inventories. The new policy has resulted in more consistency in acres planted which in turn provides more stability to Agrium's Retail operations. In 1999, Retail EBIT of $43 million on net sales of $794 million was a record. In a cyclical fertilizer business, these results provide Agrium with a consistent base level of earnings.

SOUTH AMERICA

In Argentina, Agrium operates 18 farm centres through its subsidiary ASP. These farm centres, which are based on the CPS model in North America, are spread throughout Argentina and are focused on developing the bulk and blended granular fertilizer market and on supplying a range of other agronomic products and services. ASP also operates an extensive distribution and storage infrastructure.

The December 31, 1999 share price plus dividends paid represents 340% of the 1993 Initial Public Offering price. Agrium's 1999 revenue was 509% of its 1993 levels. Agrium's nitrogen plant operating rate was 93% in 1999 versus the North American average rate of 87%.

Ken Beynon
General Manager, Redwater Fertilizer Operations

93%
nitrogen operating efficiency rate

Tom Van Der Weide
Branch Manager, Western Farm Service

Todd Denzin
Dealer Sales Manager, Canadian Region

1999 revenue
509%
of 1993 levels

Melissa Craig
Human Resources Manager, Redwater Fertilizer Operations

share price plus dividends
340%
of Initial Public Offering price

AGRIUM'S MANAGEMENT TEAM is comprised of experienced professionals committed to a proactive style which is both responsive to opportunity and balanced towards risk and reward. The management team also believes that responsibility and accountability should rest with the individual as far as possible and should be delegated to the level in the organization best suited to the situation.

Management also believes in a structured approach to risk management that encompasses a broad framework of corporate, market, operational, financial, competitive and environmental risks. Hedging techniques, insurance and other tools are used to mitigate those risks on a continuous basis.

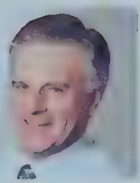
Management has not been passive during the current down cycle in the industry. In the belief that the current environment represents the best opportunity to leverage earnings when prices improve, it has completed and announced projects to improve immediate performance and better position the Company for future growth and profitability. These initiatives include expansion of activity in Argentina at both the production and retail levels, the development of the Kapuskasing phosphate rock mine and mill in Ontario, the Carseland debottlenecking project and the recently announced Conda PPA project. On January 19, 2000, Agrium announced the signing of an agreement with Unocal to acquire the nitrogen-based production and distribution businesses operated by Unocal in Alaska, Washington, Oregon and California. This will be a historic move for Agrium, launching the Company into the status of a major international nitrogen player and, at the same time, strengthening its position as the low cost producer in North America.

Early in the year management also initiated a review of all major business processes to determine if there were a more efficient and effective way to operate and to ensure that Agrium became the easiest Company to do business with for customers and suppliers. A Corporate restructuring resulted from this review which is expected to reduce SG&A expenses in the year 2000 and beyond by over $20 million over 1998 levels. Many key processes were overhauled and the Strategic Business Unit structure was eliminated. The closure of the Spokane and Saskatoon offices together with the Lethbridge research facility and the resulting consolidation of all activity into the Denver and Calgary offices were also a result of this initiative. Factors which were critical in the success of this restructuring were the significant advances made in the development of Agrium's Enterprise Resource Planning system, SAP, and the completion of the new Corporate Head Office building in late 1998.

The success of the SG&A initiative has led to several other cost saving and efficiency initiatives which were beyond the scope of the original SG&A study. These include a supply chain optimization review, a review of selling expenses and farm centre profitability in the US Retail operations and reviews of the operating structures at Agrium's largest production facility at Redwater, Alberta and other operations. Initial indications are that savings from these studies will also be substantial.

Management has also long felt the need to instill a sense of pride and ownership in the Company's employees and to develop a single, homogeneous high performing culture from the best attributes of the cultures of the many predecessor companies. The principal elements of a high performance culture are: *accountability* for results and impact on people; *commitment* to the success of the organization and each other; and *partnerships* throughout all parts of the organization. The concept of making employees think and act like owners and aligning their personal goals to the Company goal of reaching a $50 share price within 5 years resulted in the introduction of new incentive initiatives, such as SARs and the Retail 401(k) Profit Sharing Plan, to enable employees to participate in the benefits of increased prosperity for Agrium. The principles embodied in the high performing culture have also been entrenched in Agrium's employee performance management system.

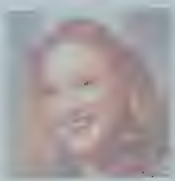
Agrium has a proven track record of acquisitions and mergers since going public in 1993.



John Van Brunt
President and Chief Executive Officer

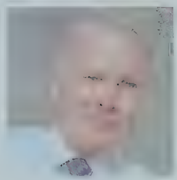
William Robertson
Executive Vice President and Chief Operating Officer

Chris Tworek
Vice President, Supply Management



Dorothy Bower
Vice President, Strategic Development and Planning

Leslie O'Donoghue
Vice President, General Counsel and Corporate Secretary



Michael Klein
Vice President, Human Resources

Richard Gearheard
Vice President, North American Retail

William McClung
Vice President, Operations

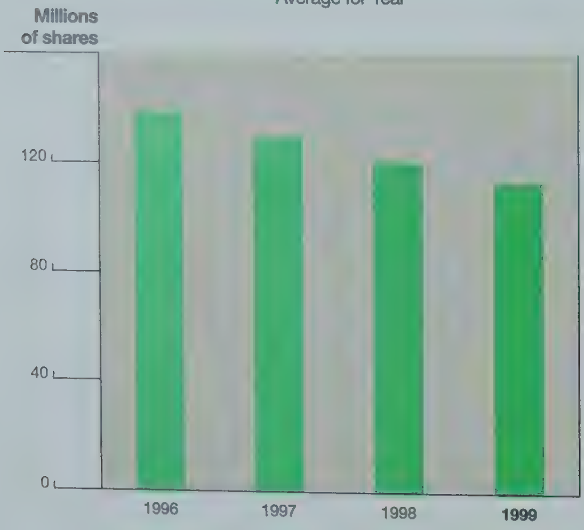
Patrick Freeman
Treasurer

Robert Rennie
Vice President, South America

Ian Hornby-Smith
Controller

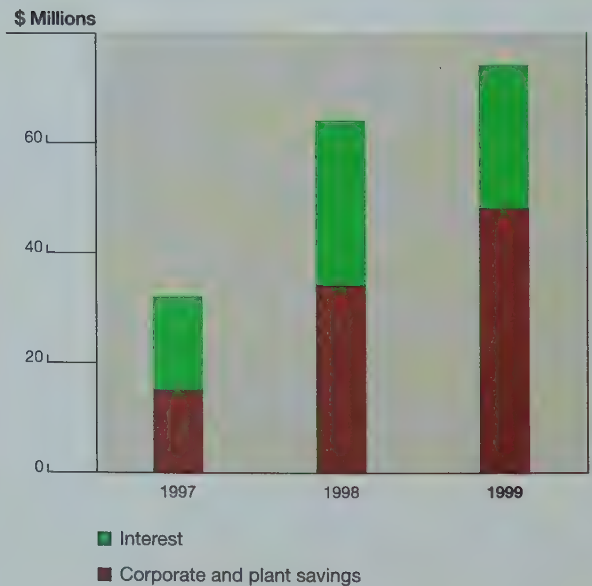
John Yokley
Vice President, Marketing and Distribution

Proven Share Buyback Record*
Average for Year



*112 million shares outstanding February 2000.

Proven Acquisition and Integration Record
Agrium/Viridian Merger Synergies



AGRIUM'S NET EARNINGS of $70 million or $0.55 per share, before restructuring charges, represent a significant decline from previous years, and cash flow from operations of $138 million or $1.15 per share, before restructuring charges, shows a similar decline. These results primarily reflect the impact of a difficult farm economy which has led to substantially lower prices combined with higher raw material input costs, particularly natural gas. Despite these factors, earnings and cash flow remain strong and reflect the diversity and quality of Agrium's asset portfolio relative to competitors.

1999 net earnings and cash flow also reflect the impact of one-time restructuring costs, start-up costs relating to new projects and other one-time impairment provisions. Agrium is now positioned to recover from the current down cycle, to improve the quality of its asset mix and to provide a firm foundation for future growth.

Lower earnings and share prices in 1999 have provided Agrium with an attractive opportunity to continue to buy back its shares in order to leverage the impact of recovery and future growth for the remaining shareholders. In the belief that its shares have remained undervalued throughout the year, 3.7 million shares were repurchased at an average cost of $8.83. This brings the total number of shares repurchased since 1996 to 31.1 million.

The quality and stability of Agrium's asset portfolio reflects the strategic acquisitions that have been completed in recent years. These include Agrium's entry into Retail operations in the United States through the acquisition of CPS in 1993, and WFS in 1995, the acquisition of Nu-West Industries and the Conda Phosphate Operations in 1995 and the merger with Viridian in late 1996. This merger almost doubled the size of Agrium's Wholesale operations giving it much needed critical mass as a major player in North America. Overall, Agrium's strategic acquisitions and mergers have proved successful. They have been based on achieving three objectives: to be accretive immediately, to offer opportunities for cost savings and other synergies and to increase market share in key markets.

WFS and CPS have been strong financial performers for Agrium. Retail's return on investment (measured as net cash flow divided by Agrium's net investment) has averaged 15% over the past three years.

The Nu-West Industries acquisition has proved successful providing a return on investment averaging 15% since 1995. The subsequent acquisition of the Rasmussen Ridge phosphate mine in late 1998 and the recently announced PPA project will further enhance this return.

The Viridian merger provided significant strategic benefits and economies of scale to Agrium. Specifically, the merger provided the opportunity to rationalize marketing and transportation operations, retire Viridian's high coupon rate debt, and also to achieve substantive savings of Corporate SG&A expense. The impact of savings from these initiatives is in excess of $74 million annually.

In an effort to continue to grow through acquisitions, on January 19, 2000, Agrium announced that it had entered into an agreement with Unocal to acquire the nitrogen production and distribution businesses operated by Unocal in Alaska, Washington, Oregon and California. Similar to previous acquisitions, these assets are complementary to Agrium's existing business and should offer significant synergies.

AGRIUM BELIEVES THE stewardship function extends from protecting the interests of its shareholders, to protecting the quality of the environment in which it operates and to ensuring the health and safety of its employees, customers and members of the public impacted by its operations, products and services.

ENVIRONMENT, HEALTH & SAFETY

In order to manage its environmental, health and safety ("EH&S") risks, Agrium has established rigorous processes and regular independent reviews to ensure compliance with these processes and all related laws and regulations. Responsible management of EH&S matters must not only be integrated into the value chain, but must be carefully considered as Corporate strategies and action plans are being formulated. For this reason, environmental projects which prevent or reduce future contamination are separately identified.

This process is based on the latest ISO 14000 standard and standardizes policy and procedures across the Company. A key element of the process is the EH&S audits. Agrium's policy is to audit each major production facility every three years, at a minimum, and each retail outlet every two years. Agrium has employees who are qualified to perform compliance, system, process and regulatory EH&S audits. In addition, external EH&S specialists are engaged where appropriate to review the audit processes and standards. Follow-up procedures are also in place to ensure deficiencies are addressed and performance results are reported to the Environment, Health & Safety Committee of the Board of Directors on a quarterly basis.

In addition to ongoing audits of active facilities and farm centres, the EH&S group is also charged with the responsibility to monitor and recommend remedial action on inactive sites and to advise on the environmental and economic implications of future decommissioning of facilities. Other responsibilities of the group include the maintenance, communication and testing of Agrium's emergency response plan.

Since 1996, reportable environmental incidents at Agrium's facilities have declined dramatically. However, 1999 has shown an increase over 1998 levels due in part to the standardization of incident reporting and raising awareness of EH&S issues generally within Agrium. The severity of the reported incidents has declined and none of the incidents have caused measurable harm to the environment.

On the safety side, Agrium's 1999 performance as measured by lost time accidents has remained comparable to prior years, but the severity has decreased significantly. The records of certain facilities are excellent and, in this regard, in June 1998, Agrium's Conda Phosphate Plant achieved its re-certification as a *"Star"* site in OSHA's (the US Occupational Safety and Health Administration) Voluntary Protection Program. This program engages employees, management and OSHA in a cooperative effort to continually improve workplace safety. Certification is achieved by fewer than one percent of US work sites.

EMPLOYEES

Agrium's work force at the end of 1999 was comprised of 4,536 individuals in three different countries, a net reduction of 58 from the previous year. Following the Corporate restructuring, employees in the Corporate and Wholesale areas decreased by 143 with a further 18 positions scheduled to be eliminated in 2000. These reductions were partially offset by the addition of 55 new positions at Kapuskasing Phosphate Operations, 44 new positions in Argentina and 14 in the US Retail system.

To achieve Agrium's Corporate goal of a $50 share price, employees are acquiring new skills and developing more efficient and strategically focused ways of working together. The creation of a high performance culture has become one of the Company's key priorities with employees at all locations participating in personal and professional growth initiatives. By fostering open communication and an overall commitment to a spirit of shared ownership, mutual accountability and continuous improvement, these programs will empower and motivate employees at all levels.

Ultimately, shareholder value is created by people. Agrium's ongoing commitment to providing its employees with challenging, rewarding and strategically-focused employment means not only that the Company is well-served by its current staff members, but also that recruiting efforts will continue to provide strong candidates for Corporate leadership in future years.

COMMUNITY RELATIONS

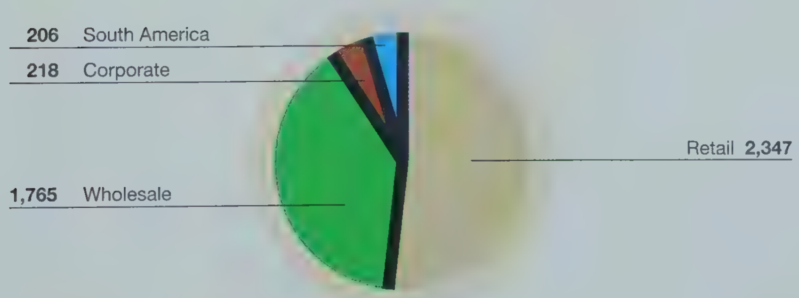
Agrium believes strongly in cooperation and communication with the communities in which it operates and particularly with regards to potential hazards which may affect them. This communication is carried out in conjunction with various fertilizer industry associations and through Agrium's own community relations personnel.

Agrium and its employees are also active supporters of local United Way campaigns, each year winning awards for both participation and per-capita donations. The Company's practice is to match employee contributions. In addition to the United Way, Agrium supports various civic, cultural, educational, environmental and community organizations through its Corporate donations program.

GOVERNANCE

Agrium's Board of Directors and its four committees are responsible for the stewardship of the business and the affairs of the Company. Formal terms of reference are in place which govern the Board's activities and each of these Committees. The Board reviews and approves the Strategic Plan of the Company each year and monitors management's progress in achieving financial and business plans throughout the year. The Board represents a wide spectrum of experience and is currently comprised of eleven directors, ten of whom are independent of the day to day operations of the Company. Agrium's statement on compliance with the guidelines of the Toronto Stock Exchange Committee on Corporate Governance is detailed in the Company's Information Circular.

Employee Distribution



BOARD OF DIRECTORS

Frank W. Proto
Chairman

John M. Van Brunt
President and Chief Executive Officer

AUDIT COMMITTEE	CORPORATE GOVERNANCE & NOMINATING COMMITTEE	ENVIRONMENT, HEALTH & SAFETY COMMITTEE	HUMAN RESOURCES & COMPENSATION COMMITTEE
Harry G. Schaefer *Chairman*	T. Don Stacy *Chairman*	Frank W. King *Chairman*	Frank W. Proto *Chairman*
MEMBERS	MEMBERS	MEMBERS	MEMBERS
Carroll G. Brunthaver	D. Grant Devine	Carroll G. Brunthaver	Neil Carragher
Neil Carragher	Frank W. King	Ralph S. Cunningham	G. Woody MacLaren
Ralph S. Cunningham	Harry G. Schaefer	D. Grant Devine	T. Don Stacy
G. Woody MacLaren	Thomas M. Taylor	Frank W. Proto	Thomas M. Taylor
Frank W. Proto*	Frank W. Proto*		

*non-voting member

AUDIT COMMITTEE

The Audit Committee reviews Agrium's annual financial statements and quarterly earnings releases before they are approved by the Board. It monitors internal control procedures and risk management issues, and in the discharge of its duties, the Committee meets regularly with both internal and external auditors. It also examines the fees and expenses for audit services, assesses the independence of the external auditors, and recommends their appointment by the shareholders. This Committee met on seven occasions in 1999.

HUMAN RESOURCES & COMPENSATION COMMITTEE

The Human Resources & Compensation Committee's responsibilities include establishing, for the Board's approval, the President and Chief Executive Officer's compensation and policies relating to compensation of Agrium's executive officers. This Committee is also responsible for fixing the amount and composition of annual compensation to be paid to members of the Board and its Committees, and reviewing and assessing the design and competitiveness of Agrium's compensation and benefits programs generally. This Committee met on eight occasions in 1999.

CORPORATE GOVERNANCE & NOMINATING COMMITTEE

The Corporate Governance & Nominating Committee is responsible for the development and maintenance of Agrium's Corporate governance practices. Its duties include identifying and recommending to the Board appropriate director candidates and establishing Board Committee structure, composition and membership. The Committee's responsibilities include reporting annually to the Board on the effectiveness of the performance of the Board as a whole, including specifically reviewing ways in which the Board's effectiveness may be enhanced. This Committee also submits to the Board for its approval the Company's statement of Corporate Governance practices contained in the Company's information circular. The Committee met on three occasions in 1999.

ENVIRONMENT, HEALTH & SAFETY COMMITTEE

This Committee's particular focus is on the Company's environmental responsibilities and ensuring that effective processes are in place for environmental management. The Committee met on four occasions in 1999.

THIS DISCUSSION AND analysis of results of operations and financial activities should be read in conjunction with the Consolidated Financial Statements and related notes. Amounts are stated in millions of US dollars unless otherwise indicated.

BASIS OF PRESENTATION

The Corporation conducts its operations through wholesale and retail operations in North and South America. In North America, wholesale operations ("Wholesale") include the manufacture, distribution and sale of fertilizers and related products to customers in Canada, the United States and export markets. Retail operations ("Retail") include the purchase, distribution and marketing of agricultural inputs, primarily fertilizers and chemicals, and the provision of a range of application and tailored agronomic services to growers in the United States. In South America, the Corporation is currently engaged in retail and wholesale operations in Argentina and is also participating in a joint venture for the construction and operation of a major nitrogen facility scheduled to come on stream in mid-year 2000. Results of wholesale operations in Argentina are not sufficiently material to warrant separate disclosure from Argentina retail operations at this time. All of these business segments are supported by various Corporate functions which together with inter-segment eliminations are disclosed as "Other Unallocated".

Certain statements in this discussion and analysis constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. A number of factors could cause actual results to differ materially from those in the forward-looking statements including, but not limited to, fluctuations in the supply and demand of fertilizer, changes in gas and other input costs, changes in capital and foreign exchange markets, unexpected agricultural or environmental conditions and government policy changes.

SIGNIFICANT EVENTS

CORPORATE RESTRUCTURING

At the end of the second quarter, 1999, the Corporation completed a detailed review of its business processes and its selling, general and administrative cost structure. This review, which commenced in late 1998, culminated in a Corporate restructuring eliminating the New Products and International Business Units, and a reorganization of the Corporation's marketing, transportation and Corporate activities in the third quarter of 1999. Savings from the Corporate restructuring were effective immediately. A supply chain optimization and Retail operations' review are currently entering implementation phase and are expected to be completed by the first quarter of 2001. Annual savings over 1998 levels from all these initiatives are expected to exceed $35 million in the year 2000 and increase thereafter. Restructuring and severance costs totalling $11 million before tax have been charged to earnings in 1999.

KAPUSKASING MINE

The Kapuskasing phosphate rock mine and mill came on stream in mid-year 1999 although mechanical problems and required process changes have delayed the achievement of full production rates. Resolution of these problems is expected by the end of the second quarter, 2000.

CONDA PLANT EXPANSION

In October 1999, the Corporation entered into an agreement to lease and operate an industrial grade purified phosphoric acid ("PPA") unit to be built by FMC Corporation ("FMC") in Agrium's Conda phosphate fertilizer complex. FMC is committed to purchase the PPA under a long-term supply agreement. Start-up of the project is anticipated in mid-year 2001.

PROFERTIL

In late 1998, the Corporation increased its interest in the Profertil joint venture from 33% to 50%. The Corporation and joint venture partner YPF S.A. (a subsidiary of Repsol S.A.) ("YPF") each purchased one-half of former partner Perez Companc's one-third holding in the venture. The plant was approximately 90% complete at December 31, 1999 and start-up is anticipated to be on schedule for mid-year 2000.

UNOCAL FERTILIZERS

In January 2000, the Corporation entered into an agreement with Union Oil Company of California ("Unocal") to acquire its nitrogen-based production and distribution businesses for approximately $325 million, including working capital at the time of closing, and future considerations. This purchase will expand and strengthen the Corporation's nitrogen business in the Western United States and internationally and will provide significant synergies in the Corporation's operating and administrative cost structure. Completion of the acquisition is subject to the fulfillment of certain conditions including obtaining all necessary regulatory approvals.

RESULTS OF OPERATIONS

1999 COMPARED TO 1998

Consolidated

The following table summarizes the results of operations of the Corporation for the years ended December 31, 1999 and 1998:

	1999					1998				
	Wholesale	Retail	South America	Other*	Total	Wholesale	Retail	South America	Other*	Total
Net sales										
– external customers	$ 828	$ 794	$ 94	$ –	$ 1,716	$ 934	$ 821	$ 50	$ –	$ 1,805
– internal customers	59	–	–	(59)	–	59	–	–	(59)	–
Total net sales	887	794	94	(59)	1,716	993	821	50	(59)	1,805
Cost of product	652	557	76	(61)	1,224	659	585	37	(59)	1,222
Gross profit	235	237	18	2	492	334	236	13	–	583
Selling	18	169	15	–	202	21	172	12	–	205
General and administrative	19	6	4	12	41	23	6	3	17	49
Depreciation and amortization	56	22	7	8	93	55	23	6	8	92
Other (income) expense	10	(3)	(2)	15	20	5	(1)	1	–	5
Earnings (loss) from operations before undernoted items:	$ 132	$ 43	$ (6)	$ (33)	136	$ 230	$ 36	$ (9)	$ (25)	232
Interest					37					40
Earnings before income taxes					99					192
Income taxes					35					71
Net earnings – after restructuring charges					$ 64					$ 121
Net earnings – before restructuring charges					$ 70					$ 121
Cash provided by operations – after restructuring charges					$ 132					$ 208
Cash provided by operations – before restructuring charges					$ 138					$ 208

* *Other Unallocated*

Market conditions for the wholesale fertilizer industry were difficult in 1999. Fertilizer and grain prices were at multi-year lows worldwide, and nitrogen prices remained depressed due to the combination of China's continuing absence from international urea markets and the Former Soviet Union supplying the market with urea at low prices. Nitrogen margins were further adversely impacted by increased natural gas prices. Phosphate prices also came under pressure due to anticipated new global production and to reduced demand in North America as a result of farmers facing difficult economic conditions. North American potash demand also declined due to wet weather in the spring application season but prices remained in line with previous years due to stable international demand.

The Corporation's 1999 results of operations reflect these difficult conditions. Net earnings for the year ended December 31, 1999 were $70 million ($0.55 per share) before one-time restructuring charges of $11 million ($6 million after taxes or $0.06 per share), compared to $121 million ($0.96 per share) in 1998, a decrease of $51 million ($0.41 per share). Cash provided by operating activities before changes in non-cash working capital and one-time restructuring charges was $138 million ($1.15 per share) in 1999, a decrease of $70 million ($0.53 per share) compared to $208 million ($1.68 per share) in 1998.

Gross profit

Gross profit of $492 million for 1999 declined by $91 million from $583 million in 1998, due primarily to lower Wholesale margins on most products as discussed above. 1999 gross profit from Retail operations was virtually unchanged from 1998, while gross profit in South America increased slightly with the start-up of wholesale activity.

Selling, general and administrative

Selling, general and administrative expenses of $243 million for 1999 decreased by $11 million from 1998 due to the Corporate restructuring which occurred mid-year 1999 resulting in closure of the Saskatoon and Spokane offices and a reduction of approximately 162 staff. The full impact of the restructuring will not be realized until 2000.

Depreciation and amortization

Depreciation and amortization of $93 million for 1999 remained virtually unchanged from 1998, as the impact of new capital invested and foreign exchange on Canadian dollar denominated assets was offset by other capital assets becoming fully depreciated.

Other (income) expense

Other (income) expense increased by $15 million compared to 1998. The primary reasons for the increase relate to Corporate restructuring charges of $11 million, higher provisions for receivables and environmental expenses, and lower interest and other miscellaneous income. 1998 included costs totalling $9 million associated with discontinuing the Corporation's agricultural biological business, write-offs of costs associated with the development of a proposed urea plant in Vietnam and the R21 precision agriculture project which were partially offset by interest and other miscellaneous income.

Interest

Interest expense for 1999 decreased from 1998 as a result of other interest expense on short-term bank indebtedness being capitalized on major development projects in 1999. Substantially all of the Corporation's long-term debt is at fixed rates.

Income taxes

The Corporation changed its policy for accounting for income taxes in the fourth quarter of 1998, adopting the liability method of accounting for income taxes under the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants effective January 1, 1998. Previously, the Corporation and its subsidiaries used the deferral method of accounting for income taxes. As a result of this change, capital assets increased by $17 million and the future income tax liability increased by $17 million at January 1, 1998. There was no impact on retained earnings.

The Corporation's effective tax rate decreased from 37% in 1998 to 35% in 1999, primarily reflecting lower foreign tax rates offset by a decrease in the Canadian manufacturing and processing allowance.

Cash provided by operating activities

Cash provided by operating activities before changes in non-cash working capital of $132 million was $76 million lower than 1998 levels due primarily to lower earnings offset by lower cash taxes payable.

NORTH AMERICA – WHOLESALE

The following table summarizes Wholesale net sales, cost of sales, gross profit, sales volumes and margin by product line for the years ended December 31, 1999 and 1998:

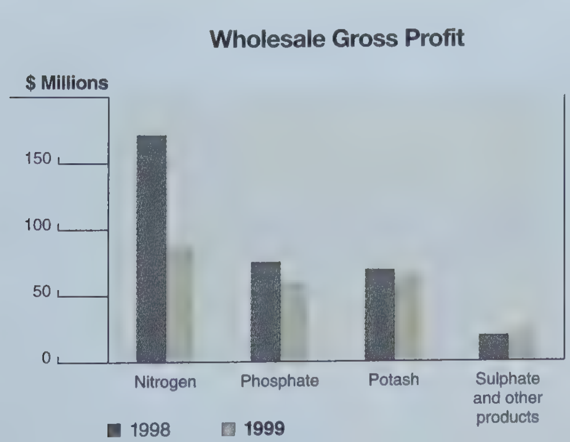
	1999					1998				
	**Net Sales	Cost of Sales	Gross Profit	Tonnes (000s)	Margin ($/Tonne)	**Net Sales	Cost of Sales	Gross Profit	Tonnes (000s)	Margin ($/Tonne)
Nitrogen	$ 422	$ 334	$ 88	3,479	$ 25.29	$ 501	$ 330	$ 171	3,652	$ 46.82
Phosphate*	255	195	60	1,082	55.45	262	187	75	1,062	70.62
Potash	145	79	66	1,432	46.09	160	91	69	1,504	45.88
Sulphate and other products	65	44	21	665	31.58	70	51	19	561	33.87
	$ 887	$ 652	$ 235	6,658	$ 35.30	$ 993	$ 659	$ 334	6,779	$ 49.27

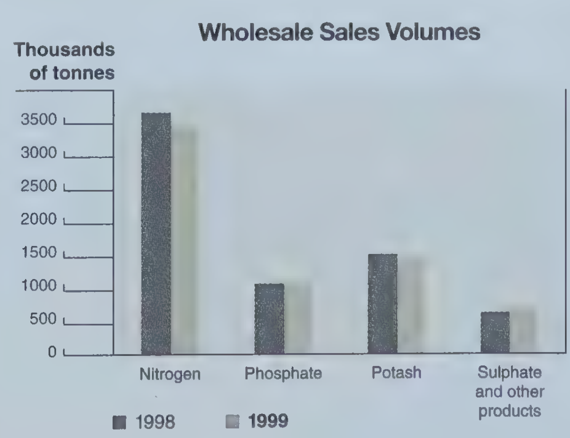
* *Phosphate is comprised of 134,000 P_2O_5 equivalent tonnes of liquid phosphate and 948,000 tonnes of dry phosphate in 1999 (1998: 149,000 and 913,000 tonnes respectively).*

** *Net sales includes sales to internal customers of $59 million\452,000 tonnes for the year ended December 31, 1999 (1998: $59 million\400,000 tonnes).*

Overall

Wholesale gross profit for 1999 decreased by $99 million (30%) from 1998, primarily as a result of lower margins for nitrogen and phosphate products. Nitrogen margins were impacted by both lower product selling prices and the cost of natural gas feedstock, the latter increasing an average of 23% over 1998 levels in spite of the positive impact of hedging programs. In addition, lower nitrogen sales volumes in Western Canada due to dry weather in the fall season and voluntary production curtailments through extended turnarounds also contributed to the decrease. Phosphate margins have also been affected by lower selling prices and mechanical and process problems encountered during the start-up phase of the Kapuskasing project which have restricted initial production rates.





Nitrogen

Gross profit of $88 million from nitrogen products (ammonia, urea, ammonium nitrate and other) for 1999 represents a decrease of $83 million (49%) from 1998 due mainly to lower selling prices, increases in the cost of natural gas and lower sales volumes. Selling prices in North America remained low throughout most of 1999, but started to recover somewhat in the latter part of the year due to several plant closures worldwide and to increasing demand generally. Margins were also affected by higher natural gas costs, the primary feedstock in the production of nitrogen fertilizers, although the full impact has been mitigated by the Corporation's hedging programs as discussed in the Outlook (Wholesale) section.

Phosphate

Phosphate gross profit of $60 million for 1999 was $15 million (20%) lower than 1998, due to lower selling prices combined with increased costs as a result of mechanical and process problems and lower than anticipated throughput at Kapuskasing. Phosphate selling prices came under pressure in 1999 due to anticipated new global production from Australia, India and elsewhere and to reduced demand in North America as farmers continued to face difficult economic circumstances.

Potash

Gross profit from potash operations of $66 million in 1999 decreased by $3 million (4%) from 1998. The decrease was due to lower sales volumes in the United States as a result of wet weather during the spring application season. Production volumes in 1999 were also lower than 1998 due to an extended turnaround to complete underground maintenance programs and to manage inventory levels.

Sulphate and other products

Other products include ammonium sulphate, other commission sales and special products. Gross profit of $21 million was $2 million (11%) higher than 1998, primarily due to higher sales volumes.

Expenses

Wholesale selling, general and administrative expenses of $37 million for 1999 declined by $7 million (16%) compared to 1998 due to the reorganization and restructuring of Wholesale operations in the current year. Depreciation and amortization remained virtually unchanged from 1998, as the impact of new capital invested and foreign exchange on Canadian dollar denominated assets was offset by other capital assets becoming fully depreciated. Other (income) expense of $10 million for 1999 increased by $5 million from 1998 due to higher stores inventory write-offs and offsetting gains on sale of investments in non-core assets included in the prior year.

NORTH AMERICA – RETAIL

The following table summarizes Retail net sales, cost of sales and gross profit by major product line for the years ended December 31, 1999 and 1998:

	1999			1998		
	Net Sales	Cost of Sales	Gross Profit	Net Sales	Cost of Sales	Gross Profit
Gross profit						
Fertilizers	$ 357	$ 257	$ 100	$ 377	$ 277	$ 100
Chemicals	345	297	48	361	308	53
Other products and services	92	3	89	83	–	83
	$ 794	$ 557	$ 237	$ 821	$ 585	$ 236

1999 Retail sales were lower than 1998, due to lower nitrogen fertilizer prices and reduced chemical prices and volumes. Despite lower net sales, gross profit increased over 1998 due to higher fertilizer sales volumes, improved fertilizer margins due to reduced costs and higher seed revenues. 1999 earnings from operations increased by $7 million from 1998 as a result of the increase in gross profit, lower selling expenses and reduced depreciation and amortization expenses. Both gross profit and earnings from operations for 1999 were records for Retail.

SOUTH AMERICA

The following table summarizes South America's combined wholesale and retail net sales, cost of sales and gross profit by major product line for the years ended December 31, 1999 and 1998:

	1999			1998		
	Net Sales	Cost of Sales	Gross Profit	Net Sales	Cost of Sales	Gross Profit
Gross profit						
Fertilizers	$ 80	$ 67	$ 13	$ 44	$ 37	$ 7
Other products and services	14	9	5	6	–	6
	$ 94	$ 76	$ 18	$ 50	$ 37	$ 13

Sales and gross profit in South America in 1999 were higher than in 1998 primarily due to the commencement of wholesale operations and improved fertilizer margins. On October 1, 1999, the Corporation's interest in these wholesale operations was sold to the Profertil S.A. joint venture with YPF, in which the Corporation retains a 50% interest. 1999 other (income) expense includes provisions of $2 million for receivables offset by $5 million of interest income.

OTHER UNALLOCATED

Other Unallocated includes the Corporate functions and eliminations of product transfers from Wholesale to Retail. Other Unallocated losses from operations increased from $25 million in 1998 to $33 million in 1999 primarily due to restructuring charges of $11 million, increased environmental provisions and reduced interest income as a result of lower cash balances. 1998 includes write-offs of $9 million associated with discontinuing the Corporation's agricultural biological business, write-offs of costs associated with the development of a proposed urea plant in Vietnam and the R21 precision agriculture project. These write-offs were offset by interest and other miscellaneous income.

1998 COMPARED TO 1997

Consolidated

The following table summarizes the results of operations of the Corporation for the years ended December 31, 1998 and 1997:

	1998					1997				
	Wholesale	Retail	South America	Other*	Total	Wholesale	Retail	South America	Other*	Total
Net sales										
– external customers	$ 934	$ 821	$ 50	$ –	$ 1,805	$ 1,072	$ 830	$ 36	$ –	$ 1,938
– internal customers	59	–	–	(59)	–	52	–	–	(52)	–
Total net sales	993	821	50	(59)	1,805	1,124	830	36	(52)	1,938
Cost of product	659	585	37	(59)	1,222	671	600	28	(53)	1,246
Gross profit	334	236	13	–	583	453	230	8	1	692
Selling	21	172	12	–	205	29	163	12	–	204
General and administrative	23	6	3	17	49	22	8	3	16	49
Depreciation and amortization	55	23	6	8	92	55	23	3	4	85
Other (income) expense	5	(1)	1	–	5	(6)	1	–	–	(5)
Earnings (loss) from operations before undernoted items:	$ 230	$ 36	$ (9)	$ (25)	232	$ 353	$ 35	$ (10)	$ (19)	359
Interest					40					46
Earnings before income taxes					192					313
Income taxes					71					128
Net earnings					$ 121					$ 185
Cash provided by operations					$ 208					$ 399

** Other Unallocated*

1998 was a challenging year compared to 1997 with low grain prices, low fertilizer prices and erratic weather patterns around the world. The fertilizer industry experienced continuing low nitrogen prices due primarily to China's absence from the global market. The 1998 results of operations reflected these conditions.

Net earnings for the year ended December 31, 1998 were $121 million ($0.96 per share), compared to $185 million ($1.43 per share) in 1997, a decrease of $64 million ($0.47 per share). Cash provided by operating activities before changes in non-cash working capital was $208 million ($1.68 per share) in 1998, a decrease of $191 million ($1.42 per share) compared to $399 million ($3.10 per share) in 1997.

Gross profit

Gross profit of $583 million for 1998 declined by $109 million from $692 million in 1997, due primarily to lower Wholesale margins resulting from lower selling prices for nitrogen products, but partially offset by higher Retail margins.

Selling, general and administrative

Selling, general and administrative expenses of $254 million for 1998 were virtually unchanged from 1997. Increased expenses from expansion of Retail and South American operations were largely offset by synergies arising from the 1996 merger with Viridian Inc.

Depreciation and amortization

Depreciation and amortization of $92 million for 1998 increased by $7 million from 1997, mainly as a result of the full-year impact of 1997 expansion of retail operations in Argentina and increased Corporate amortization costs.

Other (income) expense

Other (income) expense increased by $10 million compared to 1997. The primary reasons for the increase relate to costs associated with discontinuing the Corporation's agricultural biological business, write-offs of costs associated with the development of a proposed urea plant in Vietnam and the R21 precision agriculture project. These costs totalled $9 million. Other cost increases were substantially offset by increased interest income from investment of surplus cash. 1997 amounts were comprised of non-recurring revenue items, including the proceeds of a business interruption insurance claim.

Interest

Interest expense for 1998 decreased by $6 million compared to 1997, due to the use of proceeds from the issue of preferred securities to reduce bank indebtedness.

Income taxes

The Corporation's effective tax rate decreased from 41% in 1997 to 37% in 1998, primarily reflecting lower foreign tax rates and the relative impact of differences between accounting income before tax and income subject to tax.

Cash provided by operating activities

Cash provided by operating activities before changes in non-cash working capital of $208 million was $191 million lower than 1997 levels due primarily to lower earnings and higher cash taxes payable resulting from previously deferred taxes becoming currently payable.

NORTH AMERICA - WHOLESALE

The following table summarizes Wholesale net sales, cost of sales, gross profit, sales volumes and margin by product line for the years ended December 31, 1998 and 1997:

	1998					1997				
	**Net Sales	Cost of Sales	Gross Profit	Tonnes (000s)	Margin ($/Tonne)	**Net Sales	Cost of Sales	Gross Profit	Tonnes (000s)	Margin ($/Tonne)
Nitrogen	$ 501	$ 330	$ 171	3,652	$ 46.82	$ 633	$ 337	$ 296	3,630	$ 81.54
Phosphate*	262	187	75	1,062	70.62	279	195	84	1,135	74.01
Potash	160	91	69	1,504	45.88	140	89	51	1,484	34.37
Sulphate and other products	70	51	19	561	33.87	72	50	22	619	35.54
	$ 993	$ 659	$ 334	6,779	$ 49.27	$ 1,124	$ 671	$ 453	6,868	$ 65.96

** Phosphate is comprised of 149,000 P_2O_5 equivalent tonnes of liquid phosphate and 913,000 tonnes of dry phosphate in 1998 (1997: 136,000 and 999,000 tonnes respectively).*

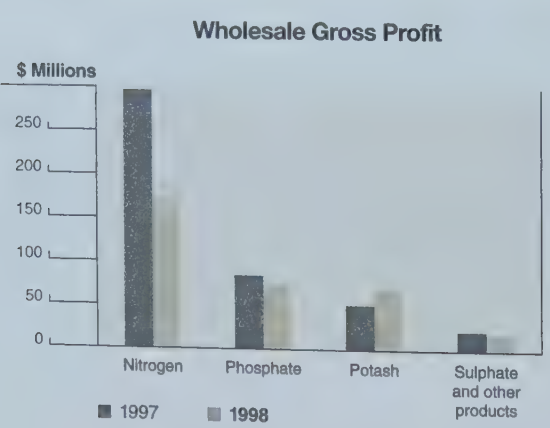
*** Net sales includes sales to internal customers of $59 million\400,000 tonnes for the year ended December 31, 1998 (1997: $52 million\333,000 tonnes).*

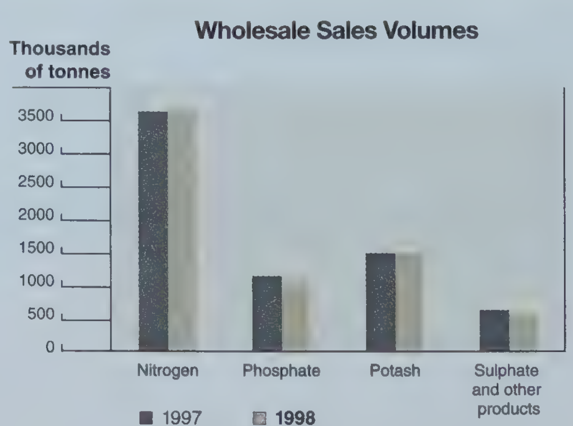
Overall

Wholesale gross profit for 1998 decreased by $119 million (26%) from 1997, primarily as a result of lower selling prices for nitrogen products, but partially offset by higher potash sales volumes and margins.

Nitrogen

Gross profit of $171 million attributable to nitrogen products (ammonia, urea, ammonium nitrate and other) for 1998 represents a decrease of $125 million (42%) from 1997, due mainly to lower selling prices. The Corporation continued to have an advantage over its US-based competitors because of lower natural gas input costs and gas usage efficiencies at its Alberta nitrogen production facilities, where the majority of its capacity is located.





Phosphate

Phosphate gross profit of $75 million for 1998 was $9 million (11%) lower than 1997, due to lower sales volumes as well as higher raw material costs. Higher phosphate rock costs at the Redwater phosphate operation were partially offset by lower costs at Conda's phosphate operation as a result of the acquisition of the Rasmussen Ridge phosphate mine from the previous supplier in late 1997.

Potash

Gross profit from potash operations of $69 million in 1998 increased by $18 million (35%) from 1997 due to a combination of increased selling prices and volumes as well as reduced unit production costs. 1998 was a record year for potash production and sales volumes as well as net sales and gross profit.

Sulphate and other products

Other products include ammonium sulphate, other commission sales and special products. Gross profit of $19 million was $3 million (14%) lower than 1997, primarily due to lower sales volumes.

Expenses

Wholesale selling, general and administrative expenses of $44 million for 1998 declined by $7 million (14%) compared to 1997 due to synergies realized as a result of the 1996 merger of the Corporation and Viridian Inc. Depreciation and amortization remained virtually unchanged from 1997. Other (income) expense of $5 million for 1998 increased by $11 million compared to 1997. The primary reason for the increase was that 1997 comprised mainly of non-recurring revenue items, including the proceeds of a business interruption insurance claim.

NORTH AMERICA – RETAIL

The following table summarizes Retail net sales, cost of sales and gross profit by major product line for the years ended December 31, 1998 and 1997:

	1998			1997		
	Net Sales	Cost of Sales	Gross Profit	Net Sales	Cost of Sales	Gross Profit
Gross profit						
Fertilizers	$ 377	$ 277	$ 100	$ 410	$ 306	$ 104
Chemicals	361	308	53	351	295	56
Other products and services	83	–	83	69	(1)	70
	$ 821	$ 585	$ 236	$ 830	$ 600	$ 230

1998 Retail sales were lower than 1997, due to the sale of non-core Canadian assets, although increased focus on higher-margin products and services resulted in a $6 million (3%) gross profit increase. Overall, 1998 was a record year for Retail in spite of El Niño reducing California fertilizer volumes, nitrogen price decreases and a reduction in chemical volumes due to improved seed genetics.

SOUTH AMERICA

The following table summarizes South America's net sales, cost of sales and gross profit by major product line for the years ended December 31, 1998 and 1997:

	1998			1997		
	Net Sales	Cost of Sales	Gross Profit	Net Sales	Cost of Sales	Gross Profit
Gross profit						
Fertilizers	$ 44	$ 37	$ 7	$ 33	$ 28	$ 5
Other products and services	6	–	6	3	–	3
	$ 50	$ 37	$ 13	$ 36	$ 28	$ 8

Sales in South America in 1998 were higher than in 1997 primarily due to the commencement of wholesale operations in late 1998. Earnings from operations in 1998 were slightly higher than 1997 for the same reasons.

OTHER UNALLOCATED

Other Unallocated includes the Corporate functions and eliminations of product transfers from Wholesale to Retail. Losses from operations increased from $19 million in 1997 to $25 million in 1998 due mainly to higher Corporate amortization expense. Increased interest income from investment of surplus cash in 1998 offset the $9 million of write-offs previously mentioned.

INVESTING AND FINANCING ACTIVITIES

FINANCING AND DIVESTITURES

On October 1, 1999, the Corporation sold its interest in Agrium Fertilizers S.A. (the South American wholesale operations) at book value to the Profertil S.A. joint venture with YPF, thereby retaining a 50% interest.

In September 1999, the Corporation initiated a new normal course issuer bid to repurchase up to 5% or approximately 5.6 million of its common shares. The Corporation has not repurchased any common shares under this bid to date.

In September 1998, the Corporation initiated a normal course issuer bid to repurchase up to 5% of its common shares. Under this bid, 3.7 million common shares were repurchased at an average cost of $8.83 per share.

In April 1998, the Corporation issued $175 million 8% unsecured preferred securities due June 30, 2047. The net proceeds of $171 million (net of after-tax issue costs of $4 million) were used to finance the 10% share repurchase program in 1998 as well as for general Corporate purposes.

In the third quarter of 1997, the Corporation initiated a normal course issuer bid to repurchase up to 5% of its common shares. This bid was increased to 10% in April 1998. The full amount of 12 million common shares was repurchased under this program.

On February 25, 1997, pursuant to a substantial issuer bid, the Corporation repurchased 14 million of its common shares at C$20.00 per share, representing approximately 10% of its outstanding common shares.

On January 28, 1997, the Corporation obtained long-term financing in the form of $75 million of 7.0% notes due 2004, $100 million of 7.7% debentures due 2017 and $125 million of 7.8% debentures due 2027. The net proceeds of the debt offerings were used to repay outstanding debt under the Corporation's revolving term credit facility.

DIVIDENDS AND SECURITIES CHARGES

The Corporation has declared and paid common share dividends in each of the periods under review. The declaration and amount of future common share dividends are decided by the Board of Directors and are subject to earnings and financial requirements, covenants in debt financing agreements and other conditions prevailing at the time. The Corporation has also paid all preferred securities charges on its preferred securities since they were issued in 1998.

Cash dividends of $13 million were paid on common shares in 1999 compared with $14 million in 1998 and $11 million in 1997.

Preferred securities charges of $8 million, net of current taxes of $6 million, were paid on outstanding preferred securities in 1999 compared to $6 million, net of current taxes of $4 million, paid in 1998.

INVESTING

The following table summarizes the capital expenditures of the Corporation for the years ended December 31, 1999, 1998 and 1997:

	1999	1998	1997
North American Wholesale	**$ 80**	$ 88	$ 78
North American Retail	**18**	20	26
South America	**137**	65	26
Other Unallocated	**18**	1	14
Total capital expenditures	**253**	174	144
Less non-cash and directly financed	**(19)**	–	–
	$ 234	$ 174	$ 144

Major capital expenditures in 1999 included $35 million for completion of development of the Corporation's Kapuskasing phosphate mine, $136 million for construction of the Profertil nitrogen facility to be completed mid-year 2000 and $19 million of non-cash and directly financed expenditures comprised mainly of the capitalization of the Corporate Head Office building lease.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the key financial ratios for the Corporation for the years ended December 31, 1999, 1998 and 1997:

	1999	1998	1997
Quick ratio*	**0.79**	1.20	1.08
Current ratio	**1.37**	2.06	2.10
Shareholders' equity to total assets	**0.39**	0.41	0.38
Book value per common share	**5.29**	4.80	5.01
Total asset turnover	**0.92**	1.05	1.19
Long-term debt to long-term debt and Shareholders' equity	**0.39**	0.40	0.43

** Cash and cash-equivalents plus accounts receivable to current liabilities.*

CAPITAL RESOURCES

At December 31, 1999, the Corporation's working capital amounted to $174 million, including cash and cash-equivalents of $104 million. Lines of credit available under term and operating facilities aggregated $195 million.

In February 1999, Profertil completed a bridge financing of up to $285 million to finance the construction of a $600 million urea and ammonia production facility. Each of the Corporation and YPF have provided several guarantees for 50% of the amounts outstanding under the bridge facility. The Corporation's 50% share of the bridge financing was $149 million at December 31, 1999.

The Corporation has an unsecured four-year term loan facility for $100 million. This facility was unutilized at December 31, 1999. Additional lines of credit include a C$35 million or $25 million demand operating loan facility. This facility was also unutilized as at December 31, 1999. The Corporation also has a C$150 million (or an equivalent amount in US dollars) commercial paper borrowing facility. The commercial paper is rated investment-grade by the two Canadian rating agencies. At December 31, 1999, Dominion Bond Rating Service Limited ("DBRS") had assigned a rating of R-1(low) and Canadian Bond Rating Service ("CBRS") had assigned a rating of A-1. At December 31, 1999, $30 million was issued and outstanding. The Corporation's intention is to reduce its borrowed amount authorized under Canadian bank lines by any amount drawn under this program.

In October 1995, a group of US banks agreed to provide Agrium US Inc. with an unsecured revolving credit facility with a termination date of October 5, 2000. The facility consists of a base revolving credit of up to $70 million and an excess revolving credit of up to $30 million for the period beginning on May 1 and ending on November 30 of each year during the term of the agreement. Agrium US Inc. may borrow at interest rates related to US prime rates or the London interbank offered rates. This facility was unutilized at December 31, 1999.

Under the terms of these arrangements, the Corporation is required to maintain various financial ratios and other covenants.

CAPITAL REQUIREMENTS

Requirements for working capital are subject to substantial seasonal fluctuations. Typically, sales volumes are highest in the spring, with a secondary peak in the fall. Product inventories increase in the late fall, winter and summer periods. Accounts receivable are highest in late spring and early summer.

Planned capital expenditures for 2000 are approximately $216 million, of which $117 million relates to investment projects and $99 million to sustaining existing operations. The Corporation's 2000 share of capital expenditures for the Profertil nitrogen joint venture project is expected to be $65 million. Other major expenditures for 2000 include $20 million for the Corporation's own share of investment to tie into an industrial grade PPA unit to be built by FMC at Agrium's Conda phosphate fertilizer complex.

The Corporation leases bulk tank and hopper rail cars, and most of its off-site dry storage facilities are under short- to medium-term operating leases. It also contracts third-party pipeline, truck, lake vessel and barge facilities to transport its products. The aggregate annual minimum payments under these operating leases and contracts are as follows: 2000 – $32 million; 2001 – $23 million; 2002 – $21 million; 2003 – $18 million; and 2004 – $17 million. The Corporation does not anticipate any material interruption in its current operating leases or in its ability to lease, renew leases or contract for such facilities and services.

Excluding requirements under the Unocal transaction, management considers current debt facilities and cash flow to be more than adequate to meet capital expenditure, working capital and debt service requirements. Scheduled principal repayments on long-term debt amount to $1 million in 2000.

SUBSEQUENT EVENT

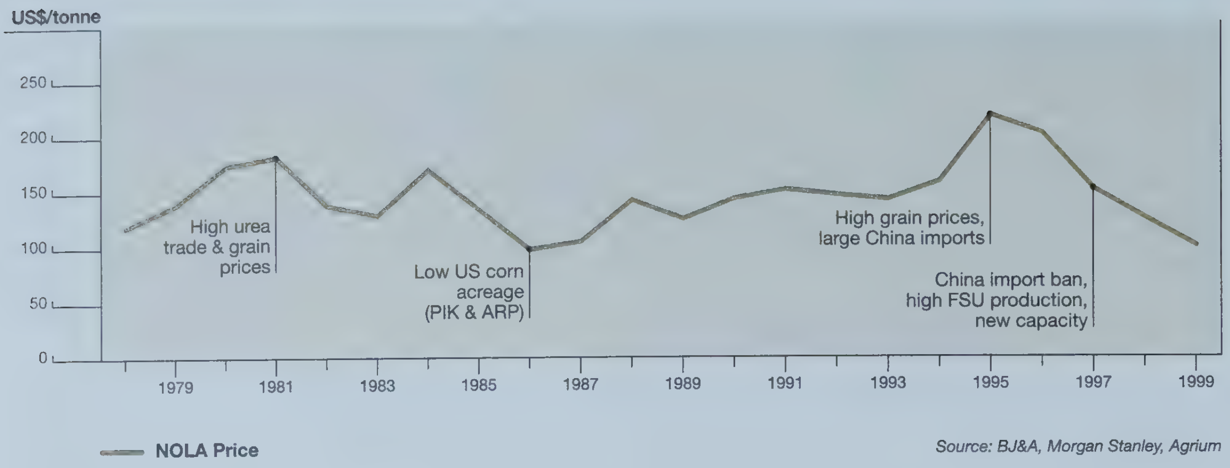
In January 2000, the Corporation signed an agreement with Unocal to acquire the nitrogen-based production and distribution businesses operated by Unocal in Alaska, Washington, Oregon and California. The consideration to be paid by the Corporation to Unocal is approximately $325 million, including net working capital at the time of closing, estimated to be approximately $73 million. Upon closing of the Unocal transaction ("Closing"), the consideration payable will consist of $50 million principal amount of 6% convertible preferred securities which will be convertible into the Corporation's common shares at a 20% premium to the weighted average common share price for the 20 days preceding Closing; $25 million of the Corporation's common shares based on 96% of the average of the closing common share price on the 20 days prior to Closing; and the balance in cash which is expected to be financed through the issue of approximately $250 million principal amount of debentures at market rates at the time of issue, with a term of 20 years. In addition, the parties have negotiated an "Earn-Out" under which Unocal will have the opportunity to receive an annual payment for each of the six years following Closing equal to 35% of the excess of an international commodity price index for ammonia and urea over certain forecasted prices for the production volumes of the Kenai, Alaska facilities.

The facilities proposed to be acquired from Unocal include two nitrogen based fertilizer production facilities at Kenai, Alaska with annual production of approximately 590,000 net tonnes of ammonia and 1,000,000 tonnes of urea, and related storage facilities. The natural gas to supply these Alaskan facilities is provided under long-term agreements at prices below those in Western Canada or the lower 48 states. In the continental United States, the facilities proposed to be acquired include ammonia, ammonium nitrate and UAN plants at Kennewick and Finley, Washington, and Sacramento and Fresno, California and terminal and storage, dock and barge facilities at these locations and at Portland, Oregon.

Completion of the acquisition is subject to the fulfilment of certain conditions, including obtaining all necessary regulatory approvals. The Corporation anticipates the transaction to close before the end of the second quarter, 2000.

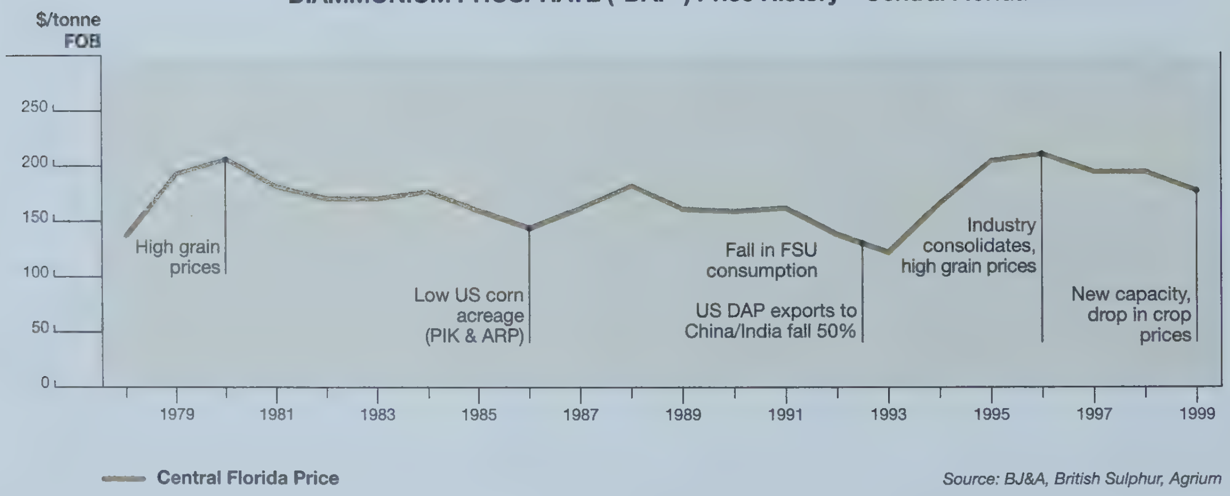
In addition to strengthening the Corporation's position as a low cost producer of nitrogen in North America and internationally, this acquisition is considered to be accretive almost immediately upon completion of the purchase. Following signing of the agreement, Moody's and Standard & Poor's ("S & P") ratings on the Corporation's senior debt and commercial paper remained unchanged, both with stable outlook. However, DBRS and CBRS, which had previously assigned higher ratings, downgraded their ratings to be in line with Moody's and S & P.

UREA Price History – NOLA



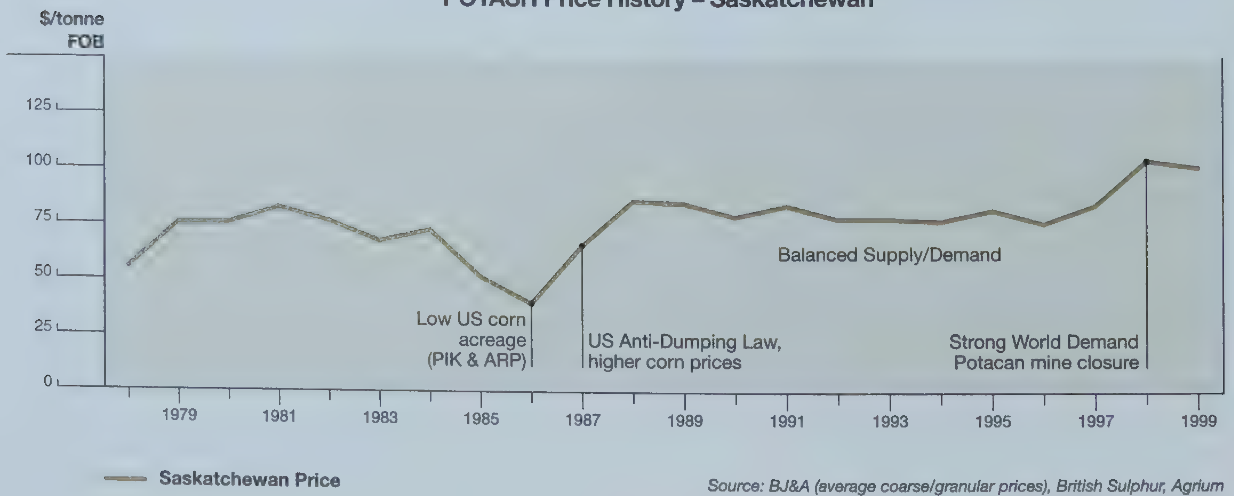
Source: BJ&A, Morgan Stanley, Agrium

DIAMMONIUM PHOSPHATE ("DAP") Price History – Central Florida



Source: BJ&A, British Sulphur, Agrium

POTASH Price History – Saskatchewan



Source: BJ&A (average coarse/granular prices), British Sulphur, Agrium

The following table summarizes confirmation of the post closing ratings:

	Senior Unsecured Notes and Debentures	Commercial Paper	Preferred Securities
Moody's Investors Service	Baa2	–	Baa3
Dominion Bond Rating Service	BBB (high)	R-2 (high)	Pfd-3 (high)
Standard & Poor's	BBB	A-2	BB+
Canadian Bond Rating Service	A (low)	A-1 (low)	B++ (low)

In February 2000, the Corporation arranged a bridge financing of up to $250 million non-revolving term credit facility to finance the acquisition of the Unocal assets. The termination date on this facility is October 31, 2000.

RISKS AND UNCERTAINTIES

The Corporation is subject to the risks and uncertainties inherent in the fertilizer business. Financial results are subject to fluctuations in fertilizer prices, natural gas costs and foreign exchange rates over which the Corporation has limited control. In addition, the Corporation is subject to the normal risks of conducting business in an international environment where changes in government could potentially lead to amendments to fiscal terms.

The approximate net after-tax earnings sensitivity to fluctuations in Wholesale prices for nitrogen, phosphate and potash, the cost of natural gas, potash production volume and currency exchange rates are shown in the following table based on actual levels of operation in 1999. A change in one factor may compound or offset another. Since the table does not consider these interrelationships, it should not be used to predict results.

Factor	Increase in Factor	Net Earnings Impact *($ Millions)*
Nitrogen		
Price of ammonia	$ 5.00/tonne	$ 4
Price of urea	$ 5.00/tonne	$ 6
Price of ammonium sulphate	$ 5.00/tonne	$ 1
Price of ammonium nitrate	$ 5.00/tonne	$ 1
Cost of natural gas	$ 0.10/GJ	$ (6)
Phosphate		
Price of phosphate (MAP and DAP equivalent)	$ 5.00/tonne	$ 4
Potash		
Price of potash	$ 5.00/tonne	$ 5
Production volume	100,000 tonnes/yr	$ 3
Exchange rate		
From C$ to US$	C$ 0.10	$ 4

The Corporation manages its exposure to fluctuating natural gas prices through the use of derivative instruments and maintains insurance programs to protect against losses through accidental damage to its assets. The Corporation also manages its exposure to exchange rate fluctuations through the use of forward foreign exchange contracts and options. Management regularly evaluates these programs to ensure an appropriate balance is maintained between underlying business risk and the cost of such programs.

YEAR 2000

The Corporation entered the new year with no Year 2000 ("Y2K") issues. Although the change in date has occurred, it is not possible to conclude that all aspects of the Y2K issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved. However, the Corporation does not expect any materially adverse effects of the Y2K issue to occur.

ENVIRONMENTAL MANAGEMENT

The Corporation believes that responsible environmental management includes managing environmental, health and safety ("EH&S") risks, minimizing EH&S impacts, promoting product stewardship, communicating risks, ensuring performance, and designing and operating the Corporation's facilities responsibly. The Corporation's operations are affected by federal, provincial, state and local EH&S laws throughout Canada, the United States and Argentina. Expenditures relating to full compliance with these laws are considered to be part of the normal course of business; EH&S management is therefore integrated into the value chain and Corporate strategies. Key environmental issues that are being managed to ensure the Corporation is not unduly affected include legislation that targets non-nutritive content in fertilizers, restoration and reclamation of operating sites, public access to environmental data provided in accordance with regulations and the impact of international accords on climate change. The Corporation does not expect its expenditures for compliance to have a material adverse effect on its operations or financial condition.

OUTLOOK

WHOLESALE

North American fertilizer demand declined in 1999, particularly for phosphate and potash. Demand was impacted by low crop prices and reduced cereal acreage planted, as well as adverse spring weather conditions in some of the Corporation's key markets. The combination of high natural gas prices and lower nitrogen and phosphate prices eroded producer returns. As a result, a number of permanent and indefinite North American plant closures took place in the nitrogen and phosphate sectors. Numerous nitrogen facility closures also took place in parts of Europe and Asia, and more closures are expected in these regions in the year 2000.

World and North American nitrogen prices are expected to be firm during the critical spring season in 2000, although nitrogen prices may come under some pressure in the latter half of 2000. It is generally believed that nitrogen prices were at the bottom of the cycle in 1999, that prices will improve slowly over the next year or two, and accelerate thereafter. World phosphate prices dropped $32 per tonne between June and December of 1999. Prices have firmed up slightly in January of 2000 but are expected to remain challenging over the next year. Potash prices have remained firm, buoyed partly by strong world demand.

North American application rates for phosphate and potash may show some small improvement on 1999's figures, as farmers are already in danger of "mining the soil". World grain inventories increased slightly in 1999, but remain below historical levels and are forecast to decline in 2000. The current low crop prices are largely due to a build up in grain inventories in the US, rather than excessive world stock levels. If significant production problems occur in the world next year, grain prices could increase quickly which would be positive for fertilizer demand.

Excluding production from assets under the Unocal transaction, the Corporation's 2000 production levels are expected to be largely unchanged, as no new capacity expansion is planned for the coming year in North America and the Corporation anticipates selling all of its production in the next fertilizer season. Natural gas market prices for 2000 are expected to increase from 1999, but the overall increase for the Corporation will be less due to the majority of North American requirements being hedged below current market prices, and the fixed price contract in place for gas to be supplied to the Profertil plant. Approximately 85% of the Corporation's nitrogen production is located in Alberta, Canada, where the price of natural gas continues to be lower than that of US-based competitors.

The Kapuskasing phosphate mine and mill project was commissioned on schedule in July, 1999. The mill is currently encountering start-up mechanical and process problems which have delayed achievement of full production rates now anticipated in the second quarter, 2000. When producing at full capacity, the mine is expected to supply 100% of the phosphate rock requirements for the Corporation's Redwater phosphate operations, replacing raw materials imported from Togo, West Africa at estimated cash savings of $33 million annually. The full benefit of the savings from the Rasmussen Ridge mine, which was purchased in 1997, was realized at the Conda phosphate operations in 1999. These new sources of rock will lower the Corporation's phosphate costs, making it even more competitive in the North American phosphate market.

In October 1999, the Corporation entered into an agreement to lease and operate an industrial grade PPA unit to be built by FMC at the Corporation's Conda phosphate fertilizer complex. FMC will purchase the PPA under a long-term supply agreement. The Corporation's own investment to tie in FMC's processing facilities will be approximately $30 million over the next two years. The project is scheduled for completion in mid-year 2001 and will provide access to a new industrial market for the Conda plant.

RETAIL

The Corporation anticipates modest Retail expansion in the United States with the strategic acquisition of new retail outlets exceeding closure of non-performing ones. Retail margins have historically been fairly consistent year-over-year, and are not expected to change significantly in 2000.

SOUTH AMERICA

The Corporation and YPF have identified the Southern Cone of South America as a key area for long-term strategic growth. The Profertil project is currently on schedule for completion and start-up by mid-year 2000. The bulk of the construction of the facility is covered under a lump-sum turnkey arrangement. The Corporation intends to consolidate its retail position in Argentina through modest growth in its existing retail outlets and will continue to investigate other international opportunities.

management's report to the shareholders

THE CONSOLIDATED FINANCIAL statements and all information contained in this annual report are the responsibility of management and the Board of Directors of the Corporation. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgements based on currently available information. The Corporation has established an internal audit program and accounting and reporting systems supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the financial records. The financial information presented throughout this annual report is consistent with the financial statements.

KPMG LLP, an independent firm of chartered accountants, has been appointed by the shareholders as external auditors of the Corporation. The Auditors' Report to the Shareholders, which describes the scope of their examination and expresses their opinion, is presented herein.

The Audit Committee of the Board of Directors, whose members are independent of management, meets with management, the internal auditors and the independent auditors to satisfy itself that the responsibilities of the respective parties are properly discharged and to review the consolidated financial statements before they are presented to the Board for approval.

J.M. Van Brunt
President and Chief Executive Officer

I.C. Hornby-Smith
Controller

Calgary, Canada
March 6, 2000

auditors' report to the shareholders

WE HAVE AUDITED the consolidated balance sheets of Agrium Inc. as at December 31, 1999 and 1998 and the consolidated statements of operations, cash flows and changes in shareholders' equity for each of the years in the three year period ended December 31, 1999. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 1999 in accordance with Canadian generally accepted accounting principles.

Accounting principles generally accepted in Canada vary in certain significant respects from accounting principles generally accepted in the United States. Application of accounting principles generally accepted in the United States would have affected results of operations for each of the years in the three year period ended December 31, 1999 and shareholders' equity as at December 31, 1999 and 1998 to the extent summarized in *Note 24* to the consolidated financial statements.

KPMG LLP

Chartered Accountants

Calgary, Canada
March 5, 2000

consolidated balance sheets

(millions of US dollars)		As at December 31 1999	1998
ASSETS	**Current assets**		
	Cash and cash-equivalents	$ 104	$ 113
	Accounts receivable *(Note 5)*	268	299
	Inventories *(Note 6)*	256	277
	Prepaid expenses	15	15
		643	704
	Capital assets *(Note 7)*	1,149	951
	Other assets *(Note 8)*	115	73
	Goodwill	52	55
		$ 1,959	$ 1,783
	LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES	**Current liabilities**		
	Bank indebtedness *(Note 9)*	$ 179	$ 28
	Accounts payable and accrued liabilities *(Note 10)*	267	255
	Income and other taxes payable	22	59
	Current portion of long-term debt *(Note 11)*	1	–
		469	342
	Long-term debt *(Note 11)*	497	482
	Other liabilities *(Note 12)*	57	48
	Future income taxes *(Note 18)*	172	188
		1,195	1,060
SHAREHOLDERS' EQUITY	Preferred securities *(Note 13)*	171	171
	Common shares *(Note 14)*	347	359
	Retained earnings	266	243
	Cumulative translation adjustment	(20)	(50)
		764	723
		$ 1,959	$ 1,783

Commitments *(Note 15)*

See accompanying notes.

APPROVED BY THE BOARD:

Director

Director

consolidated statements of operations

	(millions of US dollars)	1999	1998	1997
		Years ended December 31		
INCOME	**Net sales**	**$ 1,716**	$ 1,805	$ 1,938
	Cost of product	**1,224**	1,222	1,246
	Gross profit	**492**	583	692
EXPENSES	Selling	**202**	205	204
	General and administrative	**41**	49	49
	Depreciation and amortization	**93**	92	85
	Other (income) expense *(Note 17)*	**20**	5	(5)
	Interest on long-term debt	**36**	35	34
	Other interest	**1**	5	12
		393	391	379
EARNINGS	**Earnings before income taxes**	**99**	192	313
	Income taxes *(Note 18)*	**35**	71	128
	Net earnings	**$ 64**	$ 121	$ 185
	Earnings per common share *(Note 19)*			
	Basic *(in dollars)*	**$ 0.49**	$ 0.96	$ 1.43
	Fully diluted *(in dollars)*	**$ 0.49**	$ 0.94	$ 1.40

See accompanying notes.

consolidated statements of cash flows

	(millions of US dollars)	Years ended December 31 1999	1998	1997
OPERATING	Net earnings	**$ 64**	$ 121	$ 185
	Depreciation and amortization	**93**	92	85
	Future income taxes (recoveries)	**(25)**	(5)	129
	Cash provided by operating activities, before changes in non-cash working capital	**132**	208	399
	Net changes in non-cash working capital *(Note 20)*	**33**	79	(110)
	Cash provided by operating activities	**165**	287	289
INVESTING	Capital assets	**(234)**	(174)	(144)
	Other assets	**(49)**	8	(10)
	Net changes in non-cash working capital *(Note 20)*	**2**	35	–
	Other	**13**	(10)	(26)
	Cash used in investing activities	**(268)**	(141)	(180)
FINANCING	Common shares	**(32)**	(147)	(209)
	Preferred securities	**–**	169	–
	Bank indebtedness	**151**	(41)	(230)
	Issue of long-term debt	**–**	–	301
	Repayment of long-term debt	**(4)**	(3)	(4)
	Common share dividends paid	**(13)**	(14)	(11)
	Preferred securities charges paid	**(8)**	(6)	–
	Cash provided by (used in) financing activities	**94**	(42)	(153)
	Increase (decrease) in cash and cash-equivalents	**(9)**	104	(44)
	Cash and cash-equivalents – beginning of year	**113**	9	53
	Cash and cash-equivalents – end of year	**$ 104**	$ 113	$ 9

See accompanying notes.

(millions of US dollars and millions of shares)		CAPITAL: Preferred Securities	Preferred Amount	Common Shares	Common Amount	Contributed Surplus	Retained Earnings	Cumulative Translation Adjustment	Total
1997	Balance as at January 1, 1997	–	$ –	140	$ 431	$ 51	$ 204	$ 15	$ 701
	Repurchased for cash	–	–	(15)	(46)	(51)	(116)	–	(213)
	Issued on exercise of stock options	–	–	1	4	–	–	–	4
	Net earnings	–	–	–	–	–	185	–	185
	Common share dividends declared	–	–	–	–	–	(15)	–	(15)
	Translation adjustment	–	–	–	–	–	–	(31)	(31)
	Balance as at December 31, 1997	–	–	126	389	–	258	(16)	631
1998	Issued for cash – preferred securities	7	175	–	–	–	–	–	175
	Preferred securities issue costs	–	(4)	–	–	–	–	–	(4)
	Repurchased for cash	–	–	(12)	(35)	–	(117)	–	(152)
	Issued on exercise of stock options	–	–	1	5	–	–	–	5
	Net earnings	–	–	–	–	–	121	–	121
	Common share dividends declared	–	–	–	–	–	(13)	–	(13)
	Preferred securities charges	–	–	–	–	–	(6)	–	(6)
	Translation adjustment	–	–	–	–	–	–	(34)	(34)
	Balance as at December 31, 1998	7	171	115	359	–	243	(50)	723
1999	**Repurchased for cash**	**–**	**–**	**(3)**	**(12)**	**–**	**(20)**	**–**	**(32)**
	Net earnings	**–**	**–**	**–**	**–**	**–**	**64**	**–**	**64**
	Common share dividends declared	**–**	**–**	**–**	**–**	**–**	**(13)**	**–**	**(13)**
	Preferred securities charges	**–**	**–**	**–**	**–**	**–**	**(8)**	**–**	**(8)**
	Translation adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**30**	**30**
	Balance as at December 31, 1999	**7**	**$ 171**	**112**	**$ 347**	**$ –**	**$ 266**	**$ (20)**	**$ 764**

See accompanying notes.

(Amounts are stated in millions of US dollars unless otherwise indicated)

1. DESCRIPTION OF THE BUSINESS

Agrium Inc. (the "Corporation") is an integrated fertilizer company. The Corporation's assets include six nitrogen production facilities in Alberta, Texas and Nebraska and one nitrogen facility currently under construction in Argentina; two phosphate production facilities in Alberta and Idaho, two phosphate rock mines in Ontario and Idaho and one phosphate rock mill in Ontario; one potash mine and mill in Saskatchewan and the related North American wholesale distribution and storage system. The Corporation also owns a retail business of crop production inputs in the United States and Argentina. The consolidated financial statements include the accounts of the Corporation and all of its subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's accounting policies are in accordance with accounting principles generally accepted in Canada ("Canadian GAAP") and except as outlined in *Note 24* are in accordance with accounting principles generally accepted in the United States ("US GAAP"). When necessary, the financial statements include amounts based on informed estimates and best judgements of management. Certain comparative figures have been reclassified to conform with the current year's presentation.

Foreign Currency

The US dollar is the unit of measurement for the majority of the Corporation's business transactions. Accordingly, the US dollar is the Corporation's reporting currency. The Corporation's Canadian operations are considered self-sustaining and are translated into US dollars using the current rate method. Under this method, assets and liabilities are translated at year-end exchange rates and items included in the statements of operations are translated at weighted average rates. The resulting translation gains and losses are deferred as a separate component of shareholders' equity until there is a realized reduction in the net investment.

Consolidation

The accounts of all subsidiary companies are consolidated from the dates of acquisition. All significant intercompany balances and transactions have been eliminated. Investments in joint ventures are accounted for using the proportionate consolidation method. Under this method the Corporation's proportionate share of joint venture revenues, expenses, assets and liabilities is included in the accounts.

Cash and Cash-Equivalents

Short-term investments with an original maturity of three months or less are considered to be cash-equivalents and are stated at their fair value.

Inventories

Inventories, consisting of fertilizer and chemicals, are recorded at the lower of average cost and net realizable value. Operating supplies are recorded at average cost less allowances for obsolescence. Raw material inventory is comprised of phosphate rock at cost.

Capital Assets

Capital assets are carried at cost and include the cost of renewals and betterments. Interest during construction of major development projects is capitalized. Maintenance and repair expenditures are expensed as incurred. When assets are sold or abandoned, the recorded costs and related accumulated depreciation are removed from the accounts and any gains or losses are included in earnings.

Depreciation is calculated on the straight-line method using rates based on the estimated service lives of the respective assets, ranging from three to 25 years. Depreciation is not provided on major additions until commencement of commercial operation.

Expenditures incurred during start-up of a new facility prior to commencement of commercial operations are capitalized. These pre-production costs are classified as deferred start-up costs and amortized on a straight-line basis over a period not exceeding five years commencing on completion of the start-up period. The net book value of these deferred start-up costs is written down if the value becomes permanently impaired.

Leases

Leases which transfer substantially all the benefits and inherent risks of ownership of the property leased to the Corporation are recorded as capital leases. The present value of the payments under the leases is included in capital assets and long-term debt. The leased property is amortized on a straight-line basis over its estimated useful life.

All other leases are classified as operating leases under which lease payments are recorded as expenses in the period in which they are incurred.

Goodwill

Goodwill represents the excess of purchase price over fair value of the net assets of acquired businesses, and is amortized on a straight-line basis over 20 years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the fair value. Goodwill is written down to fair value when declines in value are considered to be other than temporary, based upon expected undiscounted cash flows of the related acquired business.

The cost and accumulated amortization of goodwill at December 31, 1999 amounted to $67 million (1998 – $67 million) and $15 million (1998 – $12 million) respectively.

Pension Costs

Defined benefit pension plans are funded by the Corporation and pension expense and obligations are determined using the projected benefit method of actuarial valuation prorated over the projected length of employee service. Pension surpluses and deficiencies, experience gains or losses and the effects of changes in plan assumptions are amortized on a straight-line basis over the expected average remaining service life of the relevant employee group.

Contributions by the Corporation to defined contribution pension plans are expensed as incurred.

Post-Retirement Benefits

Post-retirement benefit costs are expensed as incurred.

Site Restoration and Reclamation

The operations of the Corporation are affected by environmental regulations, including those for future removal and site restoration costs. The Corporation's policy is to meet or exceed standards set by relevant legislation or industry practice.

The Corporation capitalizes environmental-related expenditures that increase the life or efficiency of a property or that reduce or prevent future environmental contamination. When remediation costs are likely and reasonably estimable, the Corporation records provisions for such costs in a systematic manner over the estimated life of the underlying assets.

In determining the amount of provision, the Corporation uses the most current information available and considers factors such as prior experience, existing technology, regulations in effect and the timing of the remediation.

Future Income Taxes

Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the period that includes the enactment date. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Stock Option Plan

The Corporation has a stock option plan which is described in *Note 14*. When stock options are issued, no compensation expense is recorded. Any consideration received on exercise of the stock options is credited to share capital.

3. CHANGE IN ACCOUNTING POLICY

The Corporation changed its policy for accounting for income taxes in the fourth quarter of 1998 and adopted the provisions of Section 3465 (the liability method) of the Canadian Institute of Chartered Accountants ("CICA") Handbook effective January 1, 1998. The provisions were applied without restatement of prior-period financial statements. Prior to January 1, 1998, the Corporation and its subsidiaries used the deferral method of accounting for income taxes.

At January 1, 1998, capital assets increased by $17 million and the future income tax liability increased by $17 million arising from adjustments of previous acquisitions. There was no impact on retained earnings.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk Management Program

The Corporation is subject to the risks and uncertainties inherent in the fertilizer business. Financial results are subject to fluctuations in fertilizer prices, foreign exchange rates and natural gas supply prices over which it has limited control. In addition, the Corporation is subject to normal credit risks as well as the risks of conducting business in an international environment.

The Corporation monitors and, when appropriate, utilizes financial instruments to manage its exposure to certain of these risks as described below. Market risk related to these financial instruments should be substantially offset by changes in the valuation of the underlying items being hedged. The Corporation, in order to mitigate risk, deals with major financial institutions.

Foreign Exchange Rate Fluctuations

The Corporation is exposed to foreign exchange fluctuations on its Canadian dollar cash flow. In order to manage this exposure, the Corporation periodically enters into derivative contracts. The contracts are designated as hedges of fixed obligations and hedges of net foreign currency positions. At December 31, 1999, the Corporation had sold forward $48 million at rates ranging from $1.4664 to $1.4724 (1998 – nil). The contracts have expiry dates ranging from January 25, 2000 to October 25, 2001. The unrealized gain and fair value of these contracts at December 31, 1999 was $1 million (1998 – nil). At December 31, 1999 and 1998 there were no currency options outstanding.

Natural Gas Supply Prices

The market price of natural gas, as with other commodities, is volatile. The Corporation manages prices for its natural gas requirements through the use of index-priced contracts with suppliers *(Note 15)*. As part of this process, the Corporation has entered into natural gas derivative contracts, under which it receives or makes payments based on the difference between a fixed and basis price and the current market price for natural gas.

Gains and losses on these natural gas derivative contracts are recognized as a component of cost of product when the underlying natural gas being hedged is used. At December 31, 1999, the Corporation had contracts with financial institutions and brokers to exchange payments on approximately 88 million MMBtu (1998 – 84 million MMBtu) of natural gas, which represents approximately 65% of its expected 2000 natural gas needs and approximately 18% of its expected 2001 natural gas needs.

The carrying values and fair values of the Corporation's natural gas derivative contracts as at December 31, 1999 were nil and $16 million respectively (1998 – nil and $9 million). The fair value represents the approximate amount the Corporation would pay or receive to terminate the contracts based on the prevailing forward prices.

Financial Instruments

The fair value of long-term debt, including the current portion, at December 31, 1999 was $450 million (1998 – $466 million). The fair value of preferred securities at December 31, 1999 was $137 million (1998 – $175 million). This estimate is based on the quoted market price of these or similar issues or by discounting expected cash flows at the rates currently offered to the Corporation for debt and securities of the same remaining maturities.

The fair value of each class of other financial instruments, including cash and short-term investments, accounts receivable, accounts payable, advances and loans, and bank indebtedness, approximates its carrying value due to their short-term maturity.

Credit Risk

The Corporation is subject to credit risk through trade receivables and short-term investments. Although a substantial portion of its debtors' ability to pay is dependent upon the agribusiness economic sector, credit risk with respect to trade receivables is reduced by a large customer base and its geographic dispersion.

Short-term cash investments are placed with well-capitalized financial institutions and in short-term corporate and government debt securities. By policy, the Corporation limits the amount of credit exposure in any one type of investment instrument.

5. ACCOUNTS RECEIVABLE

	1999	1998
Trade accounts		
North America – Wholesale	$ 126	$ 157
North America – Retail	118	114
South America	58	39
Rebates and other non-trade accounts	41	34
	343	344
Allowance for doubtful accounts	(11)	(7)
Receivable interest sold [(a)]	(64)	(38)
	$ 268	$ 299

(a) On December 24, 1996, the Corporation entered into an agreement with a financial institution to sell, on an ongoing basis, an undivided percentage interest in a designated pool of North American Retail receivables, on a non-recourse basis, in an amount not to exceed $50 million. On July 17, 1998, this amount was increased to $75 million. In 1999, fee and expense payments related to this sale totalled $3 million (1998 – $3 million; 1997 – $3 million).

6. INVENTORIES

	1999	1998
Fertilizers and chemicals		
North America – Wholesale	$ 92	$ 90
North America – Retail	90	97
South America	15	26
Operating supplies		
North America – Wholesale	43	45
Raw materials		
North America – Wholesale	16	19
	$ 256	$ 277

7. CAPITAL ASSETS

	1999			1998		
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Cost	Accumulated Depreciation and Amortization	Net Book Value
Land	$ 29	$ –	$ 29	$ 26	$ –	$ 26
Buildings and improvements	263	97	166	211	82	129
Building under capital lease	16	1	15	–	–	–
Machinery and equipment	1,369	670	699	1,246	594	652
Resource properties	37	15	22	31	10	21
Construction in progress	218	–	218	123	–	123
	$ 1,932	$ 783	$ 1,149	$ 1,637	$ 686	$ 951

During the year, the Corporation capitalized interest of $16 million (1998 – $1 million) on construction in progress.

8. OTHER ASSETS

	1999	1998
Recoverable value added taxes	**$ 49**	$ 7
Receivable under environmental indemnity agreements *(Note 12)*	**12**	18
Investment in retail dealerships	**8**	7
Information systems costs	**8**	11
Deferred start-up costs	**7**	4
Advances and loans	**6**	8
Other	**25**	18
	$ 115	$ 73

9. BANK INDEBTEDNESS

	1999	1998
Profertil bridge financing (a)	**$ 149**	$ 28
Commercial paper borrowing facility (b)	**30**	–
	$ 179	$ 28

(a) Profertil S.A.

The Corporation's 50% share of bank indebtedness in the Profertil nitrogen joint venture project *(Note 21)* was $149 million at December 31, 1999 (1998 – $28 million).

In February 1999, Profertil completed a bridge financing of up to $285 million to finance the construction of a $600 million urea and ammonia production facility. The Corporation and YPF S.A. have each severally guaranteed 50% of amounts outstanding under the bridge facility. It is anticipated that this bridge financing will be replaced by non-recourse long-term debt by mid-year 2000.

(b) Agrium Inc.

The Corporation has an unsecured four-year term loan facility for $100 million. Interest rates on this term loan facility are at either the London interbank offered rate ("LIBOR") or a base rate established by the bank plus variable spreads, at the election of the Corporation. Amounts drawn at December 31, 1999, were nil (1998 – nil). Additional lines of credit include a C$35 million or $25 million demand operating loan facility. Interest rates on this demand operating loan facility are based on the prevailing bankers' acceptance rates plus a spread, or at commercial rates plus a commission. This facility was unutilized at December 31, 1999 and 1998. The Corporation also has a commercial paper borrowing facility of C$150 million, or its equivalent in US dollars. The paper is rated investment-grade by the two Canadian rating agencies and bears interest at prevailing market rates at December 31, 1999. Amounts drawn at December 31, 1999, were $30 million (1998 – nil). The loan agreements require the Corporation to maintain certain financial ratios and other covenants.

(c) Agrium US Inc.

In October 1995, a group of US banks agreed to provide Agrium US Inc. with an unsecured revolving credit facility with a termination date of October 5, 2000. The facility, which was amended in September 1998, is guaranteed by the Corporation and consists of a base revolving credit of up to $70 million and an excess revolving credit of up to $30 million for the period beginning on May 1 and ending on November 30 of each year during the term of the agreement. Agrium US Inc. may borrow at interest rates related to US prime rates or LIBOR. The revolving credit facility requires the Corporation to maintain certain financial ratios and other covenants. This facility was unutilized at December 31, 1999 and 1998.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	1999	1998
Trade accounts payable and accrued liabilities	**$ 191**	$ 186
Payroll and related taxes	**40**	35
Accrued interest payable	**10**	10
Dividends payable	**6**	6
Customer rebates	**9**	14
Other	**11**	4
	$ 267	$ 255

11. LONG-TERM DEBT

	1999	1998
Unsecured senior notes (a)	$ 175	$ 175
Unsecured notes and debentures (b)	300	300
Capital lease obligation (c)	16	–
Other	7	7
	498	482
Principal repayments due within one year	1	–
	$ 497	$ 482

(a) The unsecured senior notes were issued in two tranches: $75 million at a coupon rate of 6.86% maturing December 29, 2007 with five equal annual principal repayments beginning December 29, 2003, and $100 million at a coupon rate of 7.06% maturing December 29, 2010 with seven equal annual principal repayments beginning December 29, 2004. These notes require the Corporation to maintain certain financial ratios and meet other covenants.

(b) The Corporation has long-term unsecured financing comprised of $75 million 7.0% notes due 2004, $100 million 7.7% debentures due 2017, and $125 million 7.8% debentures due 2027. These notes and debentures require the Corporation to meet certain covenants.

(c) The capital lease obligation is the Corporate Head Office building lease *(Note 7)* which is denominated in Canadian dollars, bears interest at 7% and expires in March, 2019. The annual instalments, including principal and interest, to be paid in the next five years are $2 million per annum and the total interest payable is $8 million.

12. OTHER LIABILITIES

At December 31, 1999, the accumulated provision for estimated site restoration and reclamation costs in Other liabilities included $33 million (1998 – $26 million) for its Canadian and US wholesale facilities and $18 million (1998 – $18 million) for its retail facilities. The Corporation has environmental indemnity agreements with the prior owners of substantially all of the retail facilities. At December 31, 1999, the amounts receivable under the environmental indemnity agreements, as recorded in Other assets *(Note 8)*, totalled $12 million (1998 – $18 million).

The Corporation's operations are affected by federal, provincial, state and local laws and regulations regarding environmental protection. The outcome or timing of the full impact, if any, of legislative or regulatory developments on future operations is not estimable.

13. PREFERRED SECURITIES

In April 1998, the Corporation issued $175 million 8% unsecured preferred securities due June 30, 2047, accruing charges from the date of issuance and payable quarterly commencing June 30, 1998. The Corporation also has the ability to defer the charges for up to 20 consecutive periods, subject to certain restrictions. The preferred securities are redeemable at the option of the Corporation, in whole or in part, on or after April 22, 2003 at the principal amount plus accrued and unpaid charges (the "Redemption Price") to the date of redemption. The Corporation may, at its option, pay the Redemption Price or any quarterly charges in cash or by delivering common shares to a trustee for subsequent sale, in which event the holder of the preferred securities shall be entitled to receive a cash payment equal to the Redemption Price or any quarterly charges from proceeds of the sale of the common shares on behalf of the holder. Holders of the preferred securities will not be entitled to receive any common shares in satisfaction of the obligation to pay the Redemption Price.

The principal amount of the preferred securities, net of after-tax issue costs of $4 million, is classified as preferred securities in Shareholders' Equity. Preferred securities charges are recorded, after current tax (1999 – $6 million; 1998 – $4 million), against retained earnings.

14. COMMON SHARES

Authorized

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares issuable in series.

Stock Option Plan

The Corporation has a stock option plan under which the Board of Directors may grant options to acquire common shares to its directors, officers and employees. At December 31, 1999, the Board of Directors was authorized to grant options up to 7.5 million common shares of which approximately 6 million common shares had been granted. The exercise price of each option equals the market price of the Corporation's common shares on the last business day prior to the date of grant and an option's maximum term is 10 years. Options are granted throughout the year, and vest and become exercisable equally over a four year period, commencing one year after the grant date. In addition, under this plan the Board of Directors has resolved to grant options to directors and officers of the Corporation on the basis of one option for each common share acquired by the director or officer in the open market with the exercise price of each option equal to the purchase price paid for the original share. These options lapse if the participant does not hold 100% of the purchased shares on the first anniversary date, 75% on the second anniversary date, 50% on the third anniversary date or 25% on the fourth anniversary date.

Stock option transactions for the respective years were as follows:

	1999		1998	
	Options Outstanding	Weighted avg. exercise price	Options Outstanding	Weighted avg. exercise price
	millions	C$	millions	C$
Outstanding, beginning of year	5	17.62	5	16.58
Granted	1	12.53	1	18.94
Exercised	–	–	(1)	11.25
Outstanding, end of year	6	16.40	5	17.62
Exercisable, end of year	3	17.20	2	16.48

The following table summarizes stock options outstanding and exercisable under the plan at December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number outstanding at year end	Weighted avg. remaining contractual life	Weighted avg. exercise price	Number exercisable at year end	Weighted avg. exercise price
C$	millions	years	C$	millions	C$
1.92 to 12.00	1	8	11.26	1	10.25
12.21 to 13.15	1	8	12.99	–	12.72
13.50 to 18.65	3	7	18.44	2	18.61
18.80 to 22.15	1	8	19.70	–	20.13
1.92 to 22.15	6	8	16.40	3	17.20

Stock Appreciation Rights Plan

In May 1999, the Board of Directors of the Corporation approved a Stock Appreciation Rights ("SARs") plan for employees in certain business segments. Under this plan, each eligible employee is granted SARs which provide for payment of a cash award based upon the appreciation in value of the Corporation's common stock, to certain guaranteed levels over a five year term expiring on May 4, 2004. The employees receive cash for the SARs equal to their intrinsic value, being the difference between the SARs base price and their market value at the time the specified level is achieved. At December 31, 1999, no cash payments had been made under this plan. These payments, when incurred, will be recorded as an expense against net earnings.

Shareholders' Rights Plan

In May 1998, the Corporation's shareholders approved a shareholders' rights plan in which one right was issued for each outstanding common share. The rights remain attached to the shares and are not exercisable until the occurrence of certain designated events. The shareholders' rights plan expires in May 2001.

Normal Course Issuer Bid

In September 1999, the Corporation initiated a normal course issuer bid to repurchase 5% or approximately 5.6 million of its common shares. There have been no share repurchases under this program through to March 5, 2000.

15. COMMITMENTS

At December 31, 1999, the aggregate annual minimum payments under operating leases in each of the next five years were: 2000 – $32 million; 2001 – $23 million; 2002 – $21 million; 2003 – $18 million; and 2004 – $17 million.

The Corporation has commitments for the purchase of natural gas, sulphuric acid and other purchases for the next five years through agreements with its suppliers. The annual payments under these agreements in each of the next five years are: 2000 – $126 million; 2001 – $97 million; 2002 – $100 million; 2003 – $89 million; and 2004 – $48 million.

The Corporation's share of commitments for completion of the construction of a nitrogen facility which is held by the Profertil nitrogen joint venture project *(Note 21)* for the next year is estimated at $65 million.

16. PENSION OBLIGATIONS AND POST-RETIREMENT BENEFITS

The Corporation maintains both defined benefit and defined contribution pension plans which are both contributory and non-contributory with regard to participants. The majority of salaried and hourly employees are members of the defined contribution pension plan. Benefits from defined benefit plans are based on either years of service and compensation or a rated amount for each year of service. The pension costs are determined annually by independent actuaries and include current service costs and a provision for the amortization of prior service costs. Pension costs for current service are charged to earnings in the year incurred. The liability for past service is charged to earnings over the remaining service lives of the employees.

The Corporation has supplemental funded defined benefit and defined contribution retirement income plans for senior management which are non-contributory and provide a supplementary pension benefit. The plans are provided for by annual charges to earnings sufficient to meet the projected benefit obligations.

Defined Benefit Plans

The Corporation's 1999 net pension expense for defined benefit plans was $2 million in Canada and $1 million in the United States (1998 – $1 million and $2 million; 1997 – $1 million and $1 million).

The status of the Corporation's defined benefit pension plans in Canada and the United States is as follows:

	1999	1998
Canada:		
Accumulated pension benefits	$ (46)	$ (38)
Plan assets at fair value	46	41
Funded status	–	3
United States:		
Accumulated pension benefits	$ (31)	$ (29)
Plan assets at fair value	27	29
Funded (unfunded) status	$ (4)	$ –

The actuarial present value of accumulated pension benefits, substantially all of which are vested, amounted to $46 million in Canada and $31 million in the United States at December 31, 1999 (1998 – $38 million and $29 million). The pension plan assets amounted to $46 million in Canada and $27 million in the United States at December 31, 1999 (1998 – $41 million and $29 million).

The 1999 rate of return on pension plan assets was estimated to be 7% per annum in Canada and ranged from 8% to 9% in the United States (1998 – 8% and 9%).

In determining the actuarial present value of projected pension benefit obligations, the discount rates used were 7% per annum in Canada and 8% per annum in the United States (1998 – 8% and 7%). The rate of increase in future compensation levels ranged from 4% to 5% (1998 – 4% to 5%).

Defined Contribution Plans

The defined contribution pension expense associated with the Canadian and United States plans in 1999 was $2 million and $4 million respectively (1998 – $2 million and $4 million; 1997 – $5 million and $4 million).

Other Post-Retirement Plans

The Corporation provides certain health care and life insurance benefits for retired employees. These plans are either contributory or non-contributory and contain certain cost-sharing features such as deductibles and co-insurance. These plans are unfunded and benefits are subject to change.

In March 1999, the CICA Handbook – Section 3461, Employee Future Benefits, was issued. This section will be effective for the Corporation's year ending December 31, 2000. Section 3461 is virtually identical to the US Statement of Financial Accounting Standards ("SFAS") No. 106. See *Note 24* for the impact on the Corporation's financial statements for 1999, 1998 and 1997.

17. OTHER (INCOME) EXPENSE

	1999	1998	1997
Interest income	$ (12)	$ (13)	$ (9)
Capital and other taxes	12	12	12
Provision for doubtful accounts	7	3	3
Environmental expense	5	4	1
Restructuring charges (a)	11	–	–
Write-offs of other assets	–	9	–
Other	(3)	(10)	(12)
	$ 20	$ 5	$ (5)

(a) At December 31, 1999, $8 million and $3 million of restructuring charges had been paid and were payable respectively.

18. INCOME TAXES

The significant components of non-current future income tax assets and liabilities at December 31 are as follows:

	1999	1998
Debt retirement and other financing	$ 14	$ 14
Site restoration and reclamation	14	11
Loss carryforwards expiring through 2006	10	8
Other	5	7
Future income tax assets before valuation allowance	43	40
Valuation allowance	(4)	(5)
Future income tax assets, net of valuation allowance	39	35
Depreciation and amortization	178	159
Deferred income	24	57
Other	9	7
Future income tax liabilities	211	223
Net future income tax liabilities	$ 172	$ 188

The major factors which caused variations from the expected combined Canadian federal and provincial statutory income tax rate of 45% (1998 – 45%; 1997 – 45%) were the following:

	1999	1998	1997
Earnings before income tax:			
Canadian	$ 21	$ 120	$ 229
Foreign	78	72	84
	$ 99	$ 192	$ 313
Statutory rate	45%	45%	45%
Income tax at statutory rates	45	87	142
Differences in foreign tax rates	(10)	(10)	(7)
Manufacturing and processing allowance	1	(5)	(14)
Large Corporation Tax	–	–	2
Other	(1)	(1)	5
Income tax provision	$ 35	$ 71	$ 128
Current:			
Canadian	$ 35	$ 57	$ (24)
Foreign	25	19	23
	60	76	(1)
Future:			
Canadian	(26)	(12)	114
Foreign	1	7	15
	(25)	(5)	129
	$ 35	$ 71	$ 128

19. EARNINGS PER COMMON SHARE

Basic and fully diluted earnings per common share are calculated based on the weighted average number of common shares outstanding during the year of 113 million and 118 million (1998 – 120 million and 125 million; 1997 – 129 million and 134 million). Supplementary fully diluted earnings per common share of $0.47 per share in 1999 (1998 – $0.89 per share) (as required under EIC 71 issued by the CICA) is calculated based on the weighted average number of common shares outstanding during the year of 141 million (1998 – 138 million). The calculation assumes that the principal amount of preferred securities was settled through the issuance of common shares at market price on December 31, 1999 and 1998.

The rate of imputed interest used to calculate fully diluted earnings per share is the average rate of interest earned by the Corporation on its cash and cash-equivalents of 5% (1998 – 5%; 1997 – 5%).

20. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash working capital is as follows:

	1999	1998	1997
Decrease (increase) in current assets			
Accounts receivable	$ 38	$ 15	$ (54)
Income and other taxes recoverable	–	40	(30)
Inventories	28	(29)	(2)
Prepaid expenses	–	3	6
Increase (decrease) in current liabilities			
Accounts payable and accrued liabilities	5	26	(30)
Income and other taxes payable	(36)	59	–
Net change in non–cash working capital	$ 35	$ 114	$ (110)
Investing activities	$ 2	$ 35	$ –
Operating activities	$ 33	$ 79	$ (110)

Interest of $37 million, $40 million and $40 million was paid during 1999, 1998 and 1997, respectively. Income taxes paid (received) during 1999, 1998 and 1997 were $97 million, $(18) million and $44 million, respectively.

21. JOINT VENTURE OPERATIONS

The Corporation has a 50% interest in the Profertil nitrogen joint venture project which is accounted for using the proportionate consolidation method.

A summary of the Corporation's proportionate interest in the joint venture at December 31 is as follows:

	1999	1998
Balance Sheet		
Cash and cash–equivalents	$ 1	$ 2
Accounts receivable	12	–
Inventories	4	–
Capital assets	195	54
Other assets	44	6
	$ 256	$ 62
Bank indebtedness *(Note 9)*	$ 149	$ 28
Accounts payable and accrued liabilities	37	34
Long–term debt	4	–
	$ 190	$ 62
Cash invested in joint venture	$ 66	$ –
Statement of Cash Flows		
Operating activities	$ (16)	$ –
Investing activities	(176)	(26)
Financing activities	191	28
Increase (decrease) in cash and cash–equivalents	$ (1)	$ 2

22. SEGMENTED INFORMATION

The Corporation's primary activity is the production and wholesale marketing of nitrogen, potash, phosphate, sulphate and other fertilizer products and the retail sales of fertilizers, chemicals and other agricultural inputs and services. The Corporation operates principally in Canada, the United States and South America.

Net sales between geographic regions are accounted for at prices which approximate fair market value and are eliminated on consolidation.

Segmented Net Sales, Expenses and Assets

	North America				
	Wholesale	Retail	South America	Other Unallocated	Total
1999 Net sales – external customers	**$ 828**	**$ 794**	**$ 94**	**$ –**	**$ 1,716**
– internal customers	**59**	**–**	**–**	**(59)**	**–**
Total net sales	**887**	**794**	**94**	**(59)**	**1,716**
Cost of product	**652**	**557**	**76**	**(61)**	**1,224**
Gross profit	**235**	**237**	**18**	**2**	**492**
Expenses:					
Selling	**18**	**169**	**15**	**–**	**202**
General and administrative	**19**	**6**	**4**	**12**	**41**
Depreciation and amortization	**56**	**22**	**7**	**8**	**93**
Other (income) expense	**10**	**(3)**	**(2)**	**15**	**20**
	103	**194**	**24**	**35**	**356**
Earnings before interest expense and income taxes	**$ 132**	**$ 43**	**$ (6)**	**$ (33)**	**$ 136**
Total assets	**$ 1,233**	**$ 297**	**$ 386**	**$ 43**	**$ 1,959**
Capital expenditures	**$ 80**	**$ 18**	**$ 137**	**$ 18**	**$ 253**
1998 Net sales – external customers	$ 934	$ 821	$ 50	$ –	$ 1,805
– internal customers	59	–	–	(59)	–
Total net sales	993	821	50	(59)	1,805
Cost of product	659	585	37	(59)	1,222
Gross profit	334	236	13	–	583
Expenses:					
Selling	21	172	12	–	205
General and administrative	23	6	3	17	49
Depreciation and amortization	55	23	6	8	92
Other (income) expense	5	(1)	1	–	5
	104	200	22	25	351
Earnings before interest expense and income taxes	$ 230	$ 36	$ (9)	$ (25)	$ 232
Total assets	$ 1,312	$ 331	$ 186	$ (46)	$ 1,783
Capital expenditures	$ 88	$ 20	$ 65	$ 1	$ 174
1997 Net sales – external customers	$ 1,072	$ 830	$ 36	$ –	$ 1,938
– internal customers	52	–	–	(52)	–
Total net sales	1,124	830	36	(52)	1,938
Cost of product	671	600	28	(53)	1,246
Gross profit	453	230	8	1	692
Expenses:					
Selling	29	163	12	–	204
General and administrative	22	8	3	16	49
Depreciation and amortization	55	23	3	4	85
Other (income) expense	(6)	1	–	–	(5)
	100	195	18	20	333
Earnings before interest expense and income taxes	$ 353	$ 35	$ (10)	$ (19)	$ 359
Total assets	$ 1,281	$ 292	$ 94	$ (6)	$ 1,661
Capital expenditures	$ 78	$ 26	$ 26	$ 14	$ 144

Net Sales and Gross Profit by Business Unit and Product Line

	1999			1998			1997		
	Net Sales	Cost of Product	Gross Profit	Net Sales	Cost of Product	Gross Profit	Net Sales	Cost of Product	Gross Profit
North America – Wholesale									
Nitrogen	$ 422	$ 334	$ 88	$ 501	$ 330	$ 171	$ 633	$ 337	$ 296
Phosphate	255	195	60	262	187	75	279	195	84
Potash	145	79	66	160	91	69	140	89	51
Sulphate and other products	65	44	21	70	51	19	72	50	22
	887	652	235	993	659	334	1,124	671	453
North America – Retail									
Fertilizers	357	257	100	377	277	100	410	306	104
Chemicals	345	297	48	361	308	53	351	295	56
Other products and services	92	3	89	83	–	83	69	(1)	70
	794	557	237	821	585	236	830	600	230
South America									
Fertilizers	80	67	13	44	37	7	33	28	5
Other products and services	14	9	5	6	–	6	3	–	3
	94	76	18	50	37	13	36	28	8
Other Unallocated	(59)	(61)	2	(59)	(59)	–	(52)	(53)	1
Total	$ 1,716	$ 1,224	$ 492	$ 1,805	$ 1,222	$ 583	$ 1,938	$ 1,246	$ 692

Net Sales by Market Destination and Assets by Country

	1999			1998			1997		
	Net Sales	Capital Assets	Goodwill	Net Sales	Capital Assets	Goodwill	Net Sales	Capital Assets	Goodwill
Canada	$ 383	$ 606	$ –	$ 487	$ 521	$ –	$ 507	$ 522	$ 2
United States	1,167	317	52	1,230	334	55	1,325	320	58
Argentina	94	226	–	51	96	–	36	36	–
Other	72	–	–	37	–	–	70	–	–
	$ 1,716	$ 1,149	$ 52	$ 1,805	$ 951	$ 55	$ 1,938	$ 878	$ 60

23. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

24. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Corporation's consolidated financial statements are prepared in accordance with Canadian GAAP. These principles differ in certain respects from those applicable under US GAAP. The approximate impact of these differences on the Corporation's financial statements is summarized below:

Consolidated Statements of Operations

	1999	1998	1997
Net earnings – Canadian GAAP	$ 64	$ 121	$ 185
Adjustments net of tax:			
Post–retirement benefits [(a)]	(3)	(2)	(3)
Deferred start–up costs [(b)]	(5)	–	–
Preferred securities charges [(c)]	(8)	(6)	–
Other	3	1	(1)
Net earnings – US GAAP	$ 51	$ 114	$ 181
Other comprehensive income:			
Translation adjustments (net of tax)	18	(20)	(18)
Comprehensive income – US GAAP [(e)]	$ 69	$ 94	$ 163
Earnings per common share – US GAAP			
Basic *(in dollars)*	$ 0.45	$ 0.95	$ 1.40
Fully diluted *(in dollars)*	$ 0.44	$ 0.95	$ 1.40

Consolidated Statements of Cash Flow

	1999	1998	1997
Operating – Canadian GAAP	$ 165	$ 287	$ 289
Post–retirement benefits [(a)]	(3)	(2)	(3)
Deferred start–up costs [(b)]	(5)	–	–
Preferred securities charges paid [(c)]	(8)	(6)	–
Other	–	1	–
Operating – US GAAP	$ 149	$ 280	$ 286
Investing – Canadian GAAP	$ (268)	$ (141)	$ (180)
Other assets [(b) (c)]	5	(6)	–
Other [(a)]	3	1	3
Investing – US GAAP	$ (260)	$ (146)	$ (177)
Financing – Canadian GAAP	$ 94	$ (42)	$ (153)
Preferred securities [(c)]	–	(169)	–
Issue of long–term debt [(c)]	–	175	–
Preferred securities charges paid [(c)]	8	6	–
Financing – US GAAP	$ 102	$ (30)	$ (153)
Cash and cash-equivalents – end of year – Canadian and US GAAP	$ 104	$ 113	$ 9

Consolidated Balance Sheets

As discussed in (c) below, a significant difference between Canadian and US GAAP on balance sheet items relates to preferred securities, which are not considered equity instruments for US GAAP due to the redemption feature. Under US GAAP, long-term debt would increase by $175 million, other assets would increase by $6 million and shareholders' equity would decrease by $171 million at December 31, 1999 and 1998. The remaining balance sheet items under US GAAP are not materially different from balances under Canadian GAAP.

(a) Post-retirement benefits, as required by SFAS No. 106, are accrued under US GAAP similar to pension benefits but are expensed as incurred under Canadian GAAP.

(b) As disclosed in *Note 2*, expenditures incurred by the Corporation during start-up of a new facility prior to commencement of commercial operations are capitalized in accordance with Canadian GAAP. Under US GAAP, in accordance with Statement of Position 98-5, Reporting on the Costs of Start-Up Activities, all such expenditures must be expensed.

(c) As disclosed in *Note 13*, the Corporation has included the preferred securities, net of issue costs, as part of shareholders' equity in accordance with Canadian GAAP. Under US GAAP, the preferred securities would be classified as long-term debt and accordingly, the annual carrying charges would be recognized as an expense.

(d) SFAS No. 123, Accounting for Stock-based Compensation, establishes financial accounting and reporting standards for stock-based employee compensation plans as well as transactions in which an entity issues its equity instruments to acquire goods or services from non-

employees. As permitted by the Statement, the Corporation has elected to continue to follow the intrinsic value method of accounting for stock-based compensation arrangements, as provided for in Accounting Principles Board Opinion 25. Since all options were granted with exercise prices equal to the market price at the date of grant, no compensation cost has been charged to operations.

(e) SFAS No. 130 requires the reporting of comprehensive income in addition to net earnings. Comprehensive income includes net income plus other comprehensive income; specifically, all changes in equity of a company during a period arising from transactions and other events from non-owner sources.

(f) In June 1998, SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, was issued. This statement will be effective for the Corporation's year ending December 31, 2001. The Corporation is unable to assess the impact of this standard at the present time.

25. SUBSEQUENT EVENT

In January 2000, the Corporation signed an agreement with Union Oil Company of California ("Unocal") to acquire the nitrogen-based production and distribution businesses operated by Unocal in Alaska, Washington, Oregon and California. The consideration to be paid by the Corporation to Unocal is approximately $325 million, including net working capital at the time of closing, estimated to be approximately $73 million. Upon closing of the Unocal transaction ("Closing"), the consideration payable will consist of $50 million principal amount of 6% convertible preferred securities which will be convertible into the Corporation's common shares at a 20% premium to the weighted average common share price for the 20 days preceding Closing; $25 million of the Corporation's common shares based on 96% of the average of the closing common share price on the 20 days prior to Closing; and the balance in cash which is expected to be financed through the issue of approximately $250 million principal amount of debentures at market rates at the time of issue, with a term of 20 years. In addition, the Corporation and Unocal have negotiated an "Earn-Out" under which Unocal will have the opportunity to receive an annual payment for each of the six years following Closing equal to 35% of the excess of an international commodity price index for ammonia and urea over certain forecasted prices for the production volumes of the Kenai, Alaska facilities.

In February 2000, the Corporation arranged a bridge financing of up to $250 million non-revolving term credit facility to finance the acquisition of the Unocal assets. The termination date on this facility is October 31, 2000.

Completion of the acquisition is subject to the fulfillment of certain conditions, including obtaining all necessary regulatory approvals. The Corporation anticipates the transaction to close before the end of the second quarter, 2000.

26. QUARTERLY FINANCIAL RESULTS (unaudited)

The following quarterly information includes all normal recurring adjustments necessary for fair presentation:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
1999					
Net sales	**$ 289**	**$ 675**	**$ 355**	**$ 397**	**$ 1,716**
Gross profit	**88**	**207**	**101**	**96**	**492**
Earnings before tax	**1**	**89**	**5**	**4**	**99**
Net earnings	**1**	**55**	**3**	**5**	**64**
Basic earnings (loss) per common share *(in dollars)*	**$ (0.01)**	**$ 0.46**	**$ 0.01**	**$ 0.03**	**$ 0.49**
Average outstanding shares *(in millions)*	**114**	**113**	**113**	**112**	**113**
Fully diluted earnings (loss) per common share *(in dollars)*	**$ (0.01)**	**$ 0.44**	**$ –**	**$ 0.03**	**$ 0.49**
Average outstanding shares *(in millions)*	**119**	**119**	**118**	**117**	**118**
1998					
Net sales	$ 295	$ 732	$ 389	$ 389	$ 1,805
Gross profit	99	238	127	119	583
Earnings before tax	8	127	31	26	192
Net earnings	5	77	20	19	121
Basic earnings per common share *(in dollars)*	$ 0.04	$ 0.61	$ 0.15	$ 0.15	$ 0.96
Average outstanding shares *(in millions)*	126	123	117	115	120
Fully diluted earnings per common share *(in dollars)*	$ 0.04	$ 0.59	$ 0.15	$ 0.14	$ 0.94
Average outstanding shares *(in millions)*	131	128	122	120	125
1997					
Net sales	$ 290	$ 810	$ 400	$ 438	$ 1,938
Gross profit	113	295	128	156	692
Earnings before tax	31	192	30	60	313
Net earnings	19	114	16	36	185
Basic earnings per common share *(in dollars)*	$ 0.14	$ 0.90	$ 0.13	$ 0.29	$ 1.43
Average outstanding shares *(in millions)*	134	127	127	127	129
Fully diluted earnings per common share *(in dollars)*	$ 0.14	$ 0.87	$ 0.13	$ 0.28	$ 1.40
Average outstanding shares *(in millions)*	139	132	132	131	134

OFFICERS OF THE COMPANY

Frank W. Proto
Chairman of the Board of Directors

John M. Van Brunt
President and Chief Executive Officer

Dorothy E.A. Bower
Vice President, Strategic Development & Planning

Patrick J. Freeman
Treasurer

Richard L. Gearheard
Vice President, North American Retail

Ian C. Hornby-Smith
Controller

Michael J. Klein
Vice President, Human Resources

William C. McClung
Vice President, Operations

Leslie A. O'Donoghue
Vice President, General Counsel and Corporate Secretary

Chris W. Tworek
Vice President, Supply Management

Robert J. Rennie
Vice President, South America

William J. Robertson
Executive Vice President and Chief Operating Officer

John D. Yokley
Vice President, Marketing & Distribution

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J. Muse, *Regional Manager*

SOUTH AMERICAN RETAIL OFFICE

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Dardo Rocha 3278 – Piso 2
(1640) Buenos Aires, Argentina
Greg McGlone, *General Manager*

SHARE CAPITAL

Agrium Inc. is incorporated under the *Canada Business Corporation Act* and is authorized to issue an unlimited number of common and preferred shares issuable in series.

ANNUAL MEETING

The Annual Meeting of the shareholders of Agrium Inc. will be held at 11:00 a.m. (MDT) on Wednesday, May 10, 2000, at the Palliser Hotel, Alberta Room, 133 – 9 Avenue SW, Calgary, Alberta. Shareholders of record on March 30, 2000, are urged to attend and participate in the business of the meeting.

STOCK EXCHANGES AND TRADING SYMBOLS

Common shares are listed on the Toronto and New York Stock Exchange under AGU. COPrS are listed on the New York Stock Exchange under AGU Pr.

AGRIUM INC. DIVIDENDS

A cash dividend of 5.5 cents per common share was paid on January 10, 2000, to shareholders of record on December 23, 1999. A cash dividend of 5.5 cents per common share was paid on July 5, 1999 to shareholders of record on June 14, 1999.

INVESTOR RELATIONS CONTACT

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Director, Investor Relations
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Fax (403) 691-8008

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Canada T2P 2Z1
Fax (403) 264-2100
E-mail: inquiries@cibcmellon.ca
Website: www.cibcmellon.ca

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NA Global Trust Services
450 West 33rd Street
New York, NY
United States 10001

TRUSTEE – COPrS

IBJ Whitehall Bank & Trust Company
One State Street
New York, NY
United States 10004

WEBSITE

www.agrium.com

PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

	Country of Operation	Ownership
Agrium Partnership	Canada	100%
Agrium US Inc.	United States	100%
Agrium Nitrogen Company	United States	100%
Nu-West Industries, Inc.	United States	100%
Crop Production Services, Inc.	United States	100%
Western Farm Services, Inc.	United States	100%
Agroservicios Pampeanos	Argentina	100%
Agrium Argentina S.A.	Argentina	100%
Profertil S.A.	Argentina	50%
Canpotex Limited	International	33⅓%
Viridian Inc.	Canada	100%
Viridian Fertilizers Ltd.	Canada	100%

Neil Carragher
Toronto, Ontario

Frank W. Proto
Regina, Saskatchewan

Frank W. King
Calgary, Alberta

D. Grant Devine
Regina, Saskatchewan

T. Don Stacy
Houston, Texas

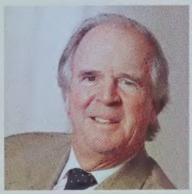
Thomas M. Taylor
Fort Worth, Texas

Carrol G. Brunthaver
Memphis, Tennessee

Harry G. Schaefer
Calgary, Alberta

Ralph S. Cunningham
Montgomery, Texas

John M. Van Brunt
Calgary, Alberta



G.Woody MacLaren
London, England

AGRIUM INC. 1999 PRICE RANGE AND TRADING VOLUMES – COMMON SHARES

Quarter Ended	Stock Exchange	High	Low	Close	Volume (millions of shares)
March 31	Toronto (C$)	14.75	11.85	13.95	22.9
	NYSE (US$)	9.81	7.75	9.19	17.8
June 30	Toronto (C$)	14.60	12.30	12.90	17.0
	NYSE (US$)	10.19	8.31	8.81	8.5
September 30	Toronto (C$)	15.75	12.80	14.50	16.1
	NYSE (US$)	10.63	8.50	9.94	5.4
December 31	Toronto (C$)	15.15	11.20	11.20	9.7
	NYSE (US$)	10.19	7.50	7.88	6.8

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Agrium